



REPUBLIC OF NAMIBIA



AUDITOR-GENERAL REPORT ON THE SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS

SOCIAL SECURITY COMMISSION, MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND, EMPLOYEES' COMPENSATION FUND AND DEVELOPMENT FUND

FOR THE FINANCIAL YEAR ENDED 28 FEBRUARY 2021



TO THE HONOURABLE SPEAKER OF THE NATIONAL ASSEMBLY

I have the honour to submit herewith my report on the accounts of the Social Security Commission, Employees' Compensation Fund and Maternity Leave, Sick Leave and Death Benefit Fund for the financial year ended 28 February 2021, in terms of Article 127(2) of the Namibian Constitution. My report is transmitted to the Commission in terms of Section 19(1) of the Social Security Act, (Act 34 of 1994) to be submitted to the Honourable Minister of Labour in terms of Section 19(2) who shall lay the report upon the Table of the National Assembly in terms of Section 19(3) of the Act.

WINDHOEK, February 2022

A handwritten signature in black ink, appearing to read 'Junias Etuna Kandjeke'.

**JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL**

**REPORT OF THE AUDITOR-GENERAL ON THE ACCOUNTS OF THE
SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
AS AT 28 FEBRUARY 2021**

1. UNQUALIFIED AUDIT OPINION

The accounts of the Social Security Commission and the Funds for the year ended 28 February 2021 were audited by me in terms of the provisions of Section 19 of the Act 1994, read with Section 25(1) (b) of the State Finance Act, 1991.

In my opinion, the annual financial statements present fairly, in all material respects, the financial position of Social Security Commission as at 28 February 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Social Security Act of 1994.

2. BASIS AUDIT OPINION

I conducted my audit in accordance with International Standards for Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the Code of Ethics for Supreme Audit Institutions together with the ethical requirements that are relevant to my audit of the financial statements and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have nothing to report in this regard.

4. OTHER INFORMATION

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. I have nothing to report in this regard.

5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standard and legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible of overseeing the entity's financial reporting process.

6. AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue and auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards for Supreme Audit Institutions, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards for Supreme Audit Institutions, I exercise professional scepticism throughout the audit.

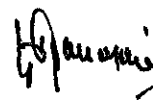
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies uses and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence, obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



JUNIAS ETUNA KANDJEKE
AUDITOR-GENERAL

WINDHOEK, February 2022

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

General Information

Country of incorporation and domicile

Namibia

Under the Social Security Act 34 of 1994, currently read with the Employees' Compensation Act 5 of 1995, the SSC's principal purpose is to administer the Funds established by the aforementioned statutes, a Maternity Leave, Sick Leave and Death Benefit Fund (MSD); an Employees' Compensation Fund (ECF); a Development Fund (DF); a National Medical Benefit Fund (NMBF) and a National Pension Fund (NPF). The NMBF and NPF have been established but are not operational.

Nature of business and principal activities

In administering the Funds, the SSC's principal operations include:

- (a) registering employers and employees;
- (b) collecting and investing contributions;
- (c) assessing and paying claims;
- (d) providing benefits and
- (e) providing training and employment schemes and providing financial aid to students.

Board of Commissioners

Dr. D.I. Uirab (Chairperson)

Ms. A. Titus

Ms. B. C. Van der Westhuizen

Ms. P.H. Masabane

Ms. E. Burger

Mr. H. Bruwer

Ms. N. Shilongo

Ms. K. T. N. N. Sihlahla

Registered office

Cnr. A. Klopers & Haupt Streets

Khomasdal

Windhoek

Namibia

**SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021**

General Information (continued)

Business address	Cnr A. Kloppers & Haupt Streets Khomasdal Windhoek Namibia
Postal address	Private Bag 13223 Windhoek Namibia
Bankers	Bank Windhoek Limited First National Bank Namibia Limited
Auditors	Office of the Auditor – General
Secretary	Linda Dumba-Chicalu

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioners' Responsibilities and Approval

The commissioners are required in terms of the Social Security Act of 1994 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the fund as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The commissioners acknowledge that they are ultimately responsible for the system of internal financial control established by the commissioners and place considerable importance on maintaining a strong control environment. To enable the commissioners to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the fund and all employees are required to maintain the highest ethical standards in ensuring the fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the fund is on identifying, assessing, managing and monitoring all known forms of risk across the fund. While operating risk cannot be fully eliminated, the fund endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The commissioners are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The commissioners have reviewed the fund's cash flow forecast for the year to 28 February 2022 and, in the light of this review and the current financial position, they are satisfied that the fund has or has access to adequate resources to continue in operational existence for the foreseeable future.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioners' Responsibilities and Approval (continued)

The external auditors are responsible for independently reviewing and reporting on the fund's consolidated annual financial statements. The consolidated annual financial statements have been examined by the fund's external auditors and their report is presented on pages 1 to 3.

The consolidated annual financial statements set out on pages 8 to 70, which have been prepared on the going concern basis, were approved by the Board on 24 February 2022 and were signed on its behalf by:

Commissioner

Commissioner

Windhoek
24 February 2022

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioners' Report

The Commissioners submit their report for the year ended 28 February 2021. The amounts reflected in this report are rounded to thousand Namibia Dollar (N\$ '000).

1. Incorporation

The Commission was incorporated through an Act of Parliament, the Social Security Act of 1994.

2. Review of activities

Main business and operations

Under the Social Security Act 34 of 1994, currently read with the Employees' Compensation Act 5 of 1995, the SSC's principal purpose is to administer the Funds established by the aforementioned statutes,

- (a) a Maternity Leave, Sick Leave and Death Benefit Fund (MSD);
- (b) an Employees' Compensation Fund (ECF);
- (c) a Development Fund (DF);
- (d) a National Medical Benefit Fund (NMBF) and
- (e) a National Pension Fund (NPF).

The NMBF and NPF have been established but are not operational.

In administering the Funds, the SSC's principal operations include: (a) registering employers and employees; (b) collecting and investing contributions; (c) assessing and paying claims; (d) providing benefits and (e) providing training and employment schemes and providing financial aid to students.

The operating results and state of affairs of the fund are fully set out in the attached consolidated annual financial statements and do not in our opinion require any further comment.

Net surplus of the Commission was N\$ 414 441 (2020: N\$ 311 933).

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioners' Report (continued)

3. Going concern

The commissioners performed an assessment of whether the SSC and its associate Funds, is a going concern in the light of the prevailing COVID pandemic, the economic condition of the country and other information about future risks and uncertainties. The projections have been prepared considering, future benefit enhancements, revenue collections, and financial sustainability which include inter alia liquidity and solvability for a period of 12 months.

The areas of financial performance of the funds mostly affected are primary revenue, investment income and the credit quality of financial assets. Although it's difficult to predict the duration and extent of the pandemic and its impact on the economy, the projections show that the funds administered by the SSC have sufficient liquidity and solvencies to continue operate in the foreseeable future. The commissioners are there for satisfied that the presentation of the annual financial statements on a going concern basis is appropriate.

4. Events after the reporting period

The commissioners are not aware of any matter or circumstances arising since the end of the financial year.

In terms of the pending litigation matter between the Commission and Freedom Square, the parties reached a settlement agreement on 13 October 2021, in terms whereof the SSC agreed to the withdrawal of action on condition that Freedom Square pays the Commission's wasted costs. This matter was settled and removed from the roll.

5. Commissioners' interest in contracts

The commissioners did not have any interest in the contracts entered into by the fund during the year.

6. Non-current assets

There were additions to property, plant and equipment amounting to N\$ 11 303 (2020: N\$ 17 858) during the year under review, and disposals with a carrying amount of N\$ Nil (2021: N\$ 18) were made. There were additions to intangibles amounting to N\$ 5 575 (2020: N\$ 2 372) during the year under review.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioners' Report (continued)

7. Commissioners

The Commissioners of the Fund during the year and to the date of this report are as follows:

Name	Change
Ms. A. Titus	Re-appointed 1 April 2021
Mr. E.S. Maswahu	Term of office expired 31 March 2021
Ms. J. Jonas	Term of office expired 31 March 2021
Ms. T.V.P. Nauyoma	Term of office expired 31 March 2021
Dr D.I. Uirab (Chairperson)	Re-appointed 1 April 2021
Mr. K. B. Black	Term of office expired 31 March 2021
Ms. P. H. Masabane (Deputy Chairperson)	Re-appointed 1 April 2021
Mr. N. Ntelamo	Term of office expired 31 March 2021
Ms. P. J. Olivier	Term of office expired 31 March 2021
Ms. K. T. N. N. Sihlahla	Re-appointed 1 April 2021
Ms. B. C. Van der Westhuizen	Appointed 1 April 2021
Ms. E. Burger	Appointed 1 April 2021
Mr. H. Bruwer	Appointed 1 April 2021
Ms. N. Shilongo	Appointed 1 April 2021

8. Secretary

The secretary of the Commission is Linda Dumba-Chicalu (Appointed 12 April 2021) of:

Business address	Cnr. A. Kloppers & Haupt Streets Khomasdal Windhoek Namibia
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Postal address	Private Bag 13223 Windhoek Namibia
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9. Auditors

The Auditor-General will continue in office in accordance with section 19 of the Social Security Act 34 of 1994.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Statement of Financial Position

	Note	2021 N\$ '000	2020 N\$ '000
Assets			
Non-Current Assets		165 110	159 483
Property, plant and equipment	3	157 676	153 200
Intangible assets	5	7 434	6 283
Loans to related funds	6	-	-
Current Assets		4 390 507	4 030 712
Investments and other financial assets	7	4 095 927	3 930 301
Trade and other receivables	8	52 839	56 005
Cash and cash equivalents	9	241 741	44 406
Non-current assets held for sale	25	78 523	78 523
Total Assets		4 634 140	4 268 718
Funds and Liabilities			
Funds			
Accumulated funds		3 944 296	3 679 855
Liabilities			
Non-Current Liabilities		197 317	183 988
Retirement benefit obligation	19	101 875	86 522
Provisions	10	95 442	97 466
Current Liabilities		492 527	404 875
Trade and other payables	11	389 816	274 396
Retirement benefit obligation	19	1 102	902
Provisions	10	101 609	129 577
Total Liabilities		689 844	588 863
Total Funds and Liabilities		4 634 140	4 268 718

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Statement of Comprehensive Income

		2021	2020
	Note	N\$ '000	N\$ '000
Revenue	12	760 475	701 052
Claims and benefits	13	(363 791)	(312 026)
Gross surplus		396 684	389 026
Other income	14	15 541	6 764
Operating expenses		(349 401)	(322 114)
Surplus before investment income		62 824	73 676
Investment income	16	351 617	238 257
Surplus for the year		414 441	311 933
Other comprehensive income		-	-
Total comprehensive income		414 441	311 933

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Statement of Changes in Funds

Note	Accumulated funds	Total funds
	N\$ '000	N\$ '000
Balance at 28 February 2019	3 418 918	3 418 918
Changes in funds		
Total comprehensive surplus for the year	311 933	311 933
Transfer to Development Fund	(50 996)	(50 996)
Total changes	260 937	260 937
Balance at 29 February 2020	3 679 855	3 679 855
Changes in funds		
Total comprehensive surplus for the year	414 441	414 441
Transfer to Development Fund	(150 000)	(150 000)
Total changes	264 441	264 441
Balance at 28 February 2021	3 944 296	3 944 296

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Statement of Cash Flows

		2021	2020
	Note	NS '000	NS '000
Cash flows from operating activities			
Cash generated from operations	18	178 223	48 710
Interest income		351 617	238 257
Net cash from operating activities		529 840	286 967
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(11 303)	(17 858)
Sale of property, plant and equipment		-	18
Purchase of intangible assets	5	(5 575)	(2 372)
Purchase of financial assets		(165 627)	(201 749)
Net cash from investing activities		(182 505)	(221 961)
Cash flows from financing activities			
Distributions to Development Fund		(150 000)	(50 996)
Net cash from financing activities		(150 000)	(50 996)
Total cash movement for the year		197 335	14 010
Cash at the beginning of the year		44 406	30 396
Total cash at end of the year	9	241 741	44 406

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Social Security Act 34 of 1994. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in Namibia Dollars.

These accounting policies were consistently in previous periods.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables, investments at amortized cost and Loans and other receivables

The fund assesses its trade receivables, investments at amortized cost and loans and other receivables for impairment at the end of each reporting period. The Fund recognizes a loss allowance for expected credit losses on all financial assets measured at amortized cost.

The Fund measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a debt, loan or receivable has not increased significantly since initial recognition, then the loss allowance for that asset is measured at 12 month expected credit losses (12-month ECL).

The Fund makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade receivables, investments at amortized cost and loans and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

**SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021**

ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.1 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the fund is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The fund uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less any credit loss allowance of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the fund for similar financial instruments.

Impairment testing

The fund reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

**SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021**

ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognized as an asset when:

- ☐ it is probable that future economic benefits associated with the item will flow to the fund; and
- ☐ the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognized in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognized.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognized.

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.2 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

	Average useful life
Buildings	50 years
Leasehold property	5 years
Furniture and fixtures	10 years
Motor vehicles	8 years
Office equipment	10 years
IT equipment	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognized in profit or loss unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the fund holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognized as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

**SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021**

ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.3 Intangible assets

An intangible asset is recognized when:

- ☐ it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- ☐ the cost of the asset can be measured reliably.

Intangible assets are initially recognized at cost.

Expenditure on research (or on the research phase of an internal project) is recognized as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated Amortization and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortization is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets Amortization is provided on a straight-line basis over their useful life.

The Amortization period and the Amortization method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortized over its useful life.

Amortization is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Computer software license	3 years

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.4 Financial instruments

Classification

Financial instruments held by the Fund are classified in accordance with the provisions of IFRS 9 Financial Instruments. The classification depends on the Fund's business model for managing the financial assets and the contractual terms of the cash flows.

Broadly, the classifications, which were adopted by the Fund are as follows:

- Financial assets which are equity instruments or any other financial instrument:
 - Mandatorily at fair value through profit or loss; or
 - Designated as at fair value through other comprehensive income.
- Financial assets which are debt instruments at amortized cost.
- Financial assets which are loans and receivables at amortized cost.
- Financial liabilities at amortized cost

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Fund has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI), else it will be accounted for at fair value through profit and loss.

Debt instruments as well as loans and receivables measured at amortized cost that are not held for trading are initially recognized at amortized cost. They have been classified in this manner because the contractual terms of these instruments give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Fund's business model is to collect the contractual cash flows on these instruments.

Note 24 Financial instruments and risk management presents the financial instruments held by the Fund based on their specific classifications.

Regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales of financial assets that require delivery of assets are recognized and derecognized within the time frame established by regulation or convention in the marketplace. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership to the other party.

**SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021**

ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.4 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognized initially when the fund becomes a party to the contractual provisions of the instruments.

The fund classifies financial instruments, or their component parts, on initial recognition as an equity instrument, a debt instrument, loans and receivable or a financial liability in accordance with the substance of the contractual agreement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as fair value through comprehensive income.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognized in profit or loss.

Regular way purchases of financial assets are accounted for at settlement date.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss includes dividends and interest. Dividend income is recognized in profit or loss as part of other income when the Fund's right to receive payment is established. Loans and receivables are subsequently measured at amortized cost, using the effective interest method, less accumulated impairment losses.

Debt instruments and other investments, held not for trading, are subsequently measured at amortized cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortized cost are subsequently measured at amortized cost, using the effective interest method.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.4 Financial instruments (continued)

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the fund has transferred substantially all risks and rewards of ownership.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the fund establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

The Fund recognizes a loss allowance for expected credit losses on all financial assets measured at amortized cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

The Fund measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a debt, loan or receivable has not increased significantly since initial recognition, then the loss allowance for that asset is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of an asset. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a debt instrument, loan or receivable that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Fund considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan or receivable being credit impaired at the reporting date or of an actual default occurring.

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ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.4 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognized initially when the fund becomes a party to the contractual provisions of the instruments.

The fund classifies financial instruments, or their component parts, on initial recognition as an equity instrument, a debt instrument, loans and receivable or a financial liability in accordance with the substance of the contractual agreement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as fair value through comprehensive income.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognized in profit or loss.

Regular way purchases of financial assets are accounted for at settlement date.

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Fund compares the risk of a default occurring on the asset as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan or receivable is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the Fund has reasonable and supportable information that demonstrates otherwise.

**SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
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ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.4 Financial instruments (continued)

Significant increase in credit risk (continued)

By contrast, if a financial asset is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the asset has not increased significantly since initial recognition.

The Fund regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the Fund consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the Fund considers that default has occurred when a loan instalment or receivable is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write off policy

The Fund writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Fund recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

**SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
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ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.4 Financial instruments (continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan or receivable at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans and receivables are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan or receivable, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Fund has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Fund measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and vice versa.

An impairment gain or loss is recognized for all loans and receivables in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

Loans to / (from) related funds

These include loans to and from related funds and are recognized initially at fair value plus direct transaction costs.

Loans to related funds are classified as loans and receivables.

Loans from related funds are classified as financial liabilities measured at amortized cost.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.4 Financial instruments (continued)

Trade and other receivables

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortized cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal, penalties for late submission and interest on the principal outstanding, and the Fund's business model is to collect the contractual cash flows on trade and other receivables.

Trade and other receivables are recognized when the Fund becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any, and subsequently at amortized cost.

The amortized cost is the amount recognized on the receivable initially, minus principal repayments, plus cumulative amortization (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

The Fund recognizes a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Fund measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

The Fund makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and shows significantly different loss patterns for assessment income and contribution income receivables. The loss allowance is calculated separately for each of these receivables. Details of the provision matrix is presented in note 8.

**SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021**

ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.4 Financial instruments (continued)

Trade and other receivables (continued)

An impairment gain or loss is recognized in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss and as a movement in credit loss allowance (note 8).

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.5 Leases

The Commission assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the commission has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.5 Leases (continued)

Commission as lessee

A lease liability and corresponding right-of-use asset are recognized at the lease commencement date, for all lease agreements for which the Commission is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Commission recognizes the lease payments as an operating expense (note 4) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However, as an exception to the preceding paragraph, the Commission has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the Commission is a lessee are presented in note 4 Leases (Commission as lessee).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Commission uses its incremental borrowing rate.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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ACCOUNTING POLICIES (continued)

1.5 Leases (continued)

Lease liability (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- ☐ fixed lease payments, including in-substance fixed payments, less any lease incentives;
- ☐ variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- ☐ the amount expected to be payable by the Commission under residual value guarantees;
- ☐ the exercise price of purchase options, if the Commission is reasonably certain to exercise the option;
- ☐ lease payments in an optional renewal period if the Commission is reasonably certain to exercise an extension option; and
- ☐ penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognized as an expense in the period incurred and are included in operating expenses (note 4).

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs.

The Commission remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- ☐ there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- ☐ there has been a change in the assessment of whether the Commission will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- ☐ there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- ☐ there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.5 Leases (continued)

Lease liability (continued)

- ☐ a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented within property, plant and equipment on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- ☐ the initial amount of the corresponding lease liability;
- ☐ any lease payments made at or before the commencement date;
- ☐ any initial direct costs incurred;
- ☐ any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Commission incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- ☐ less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Commission expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

**SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.5 Leases (continued)

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognized in profit or loss unless it is included in the carrying amount of another asset.

Commission as lessor

Leases for which the Commission is a lessor is classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

When the Commission is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Commission applies the exemption described previously, then it classifies the sub-lease as an operating lease.

Commission as lessor (continued)

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

Operating leases

Lease payments from operating leases are recognized on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits from the use of the underlying asset are diminished. Operating lease income is included in other operating income (note 14).

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are expensed over the lease term on the same basis as the lease income.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.5 Leases (continued)

Operating leases (continued)

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease

Finance leases

Amounts due from lessees are recognized from commencement date at an amount equal to the Commission's net investment in the lease. They are presented within Trade receivables (note 8) on the statement of financial position.

The interest rate implicit in the lease is used to measure the net investment in the lease. If the interest rate implicit in a sublease cannot be readily determined for a sublease, then the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) is used to measure the net investment in the sublease.

The interest rate implicit in the lease is defined in a manner which causes the initial direct costs to be included in the initial measurement of the net investment in the lease.

Lease payments included in the measurement of the net investment in the lease comprise the following:

- ☐ fixed lease payments, including in-substance fixed payments, less any lease incentives payable;
- ☐ variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- ☐ the amount expected to be receivable by the Commission from the lessee, a party related to the lessee or a third party unrelated to the Commission under residual value guarantees (to the extent of third parties, this amount is only included if the party is financially capable of discharging the obligations under the guarantee);
- ☐ the exercise price of purchase options, if the lessee is reasonably certain to exercise the option;
- ☐ penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

The Commission recognizes finance income over the lease term, based on a pattern that reflects a constant periodic rate of return on the net investment in the lease. Finance income recognized on finance leases is included in other income in profit or loss (note 14).

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.5 Leases (continued)

Finance leases (continued)

The Commission applies the impairment provisions of IFRS 9 to lease receivables. Refer to the accounting policy for trade and other receivables as lease receivables are impaired on a consistent basis with that accounting policy.

1.6 Leases (Comparatives under IAS 17)

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessor

Operating lease income is recognized as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

Operating leases – lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. The difference between the amounts recognized as an expense and the contractual payments are recognized as an operating lease asset. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

1.7 Non-current assets held for sale (and) (disposal groups)

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
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ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.7 Non-current assets held for sale (and) (disposal groups) (continued)

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortized) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognized in profit or loss.

1.8 Impairment of assets

The fund assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the fund estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the fund also:

- ☐ tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

**SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
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28 FEBRUARY 2021**

ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.9 Provisions and contingencies

Provisions are recognized when:

- ☐ the fund has a present obligation as a result of a past event;
- ☐ it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- ☐ a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required settling a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognized for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognized and measured as a provision.

Contingent assets and contingent liabilities are not recognized. Contingencies are disclosed in note 21.

1.10 Government grants

Government grants are recognized when there is reasonable assurance that:

- ☐ the fund will comply with the conditions attaching to them; and
- ☐ the grants will be received.

Government grants are recognized as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the fund with no future related costs is recognized as income of the period in which it becomes receivable.

Grants related to income are presented as a credit in the surplus or deficit (separately).

**SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
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ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.10 Government grants (continued)

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

1.11 Revenue

The Fund recognizes revenue from the following major sources:

- Assessment income
- Contribution income
- Rental income - as per leases section IFRS 16
- Investment income - as per financial instruments IFRS 9

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Fund recognizes revenue when the parties to the contract are committed to perform their obligations in terms of the contract, the rights of each party and payment terms (including consideration) are identified, the contract has commercial substance and it is probable that the consideration will be collected. All these criteria are met when the employer submits a duly completed return. The recognition of revenue is at that point.

Assessment income

In terms of the Employees Compensation Act, 5 of 1995, all organizations and individuals who employ people have to register with the Social Security Commission as employers and pay an assessment fee to cover their employees for the benefits offered by the Fund. Employers must submit an annual return each year, which will be used to determine the amount due.

The Fund recognizes assessment income when the employer is committed to perform his/her obligations in terms of the Act, the rights of each party and payment terms (including consideration) are identified, the contract has commercial substance and it is probable that the consideration will be collected. All these criteria are met when the employer submits a duly completed return. The recognition of revenue is at that point.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
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28 FEBRUARY 2021

ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.12 Claims paid

An insurance contract is defined as a contract under which the insurer accepts significant insurance risk from another party, the policyholder, by agreeing to compensate the policyholder if a specified uncertain future event, insured event, adversely affects the policyholder. The fund does not have any insurance contracts, but it accepts insurance risk as it is mandated by legislation to compensate victims of work accidents for injuries suffered as a result of work related accidents. The commission covers the following claims under its employees' compensation fund:

1. Burial and transport expenses
2. Compensation payments
3. Medical expenses
4. Merit rebates expenses
5. Pension expenses

The commission covers the following claims under its maternity, sick leave and death benefit fund;

1. Death claims expenses
2. Disability expenses
3. Maternity leave expenses
4. Retirement benefit expenses
5. Sick leave expenses

The commission covers the following schemes under its development fund;

1. Bursaries, loans and other forms of student finance
2. Training schemes
3. Employment schemes
4. Sustainable villages

Claims incurred

Claims incurred consists of claims and claim handling expenses paid during the financial year and changes in the provisions for IBNR and reported but not paid claims. These claims are charged to the statement of comprehensive income as incurred.

**SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
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ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.12 Claims paid (continued)

Outstanding claims provision

Provision is made at year end for the estimated cost of claims incurred but not yet settled at the reporting date.

The estimates of the outstanding claims provision were produced on a going-concern basis, and the outstanding claims estimate is reflected in the financial statements at an undiscounted value. Reserves for the internal or indirect claim-handling expenses are specifically excluded from the estimates, for example administrative costs.

Claims outstanding are determined as accurately as possible on the basis of a number of factors, including previous experience in claims patterns, claim settlement patterns and trends in claim frequency. Further, the outstanding claims provision is calculated taking the following elements into account:

- estimates of additional claims payments that may be required on claims that have already been reported to the fund and are still open;
- estimates of additional claims payments that may be required on claims that have already been reported to the fund and are closed, but could be reopened in the future; and
- estimates of external claim-handling expenses such as legal and medical experts, assessors and other experts including the fund overhead administrative costs.

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognized in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognized as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.13 Employee benefits (continued)

Post-employment benefits

The Commission provides post-employment medical aid benefits to all employees subject to years of uninterrupted service with the Commission. The entitlement to post-employment medical aid benefits is based on the employee's remaining years in service up to retirement age. A provision is made in respect of the accrued liability for medical aid contributions for the future pensioners. The expected costs for these benefits are accrued over the period of employment, using the projected unit credit method to determine the present value of its defined benefit obligation, and are reviewed on an annual basis.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognized immediately to the extent that the benefits are already vested, and are otherwise amortized on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial year, any cumulative unrecognized actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognized in profit or loss over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognized.

Actuarial gains and losses are recognized in the year in which they arise, in other comprehensive income.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the fund is demonstrably committed to curtailment or settlement.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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ACCOUNTING POLICIES (continued)

1. Presentation of Annual Financial Statements

1.13 Employee benefits (continued)

Defined benefit plans (continued)

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognized as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In profit or loss, the expense relating to a defined benefit plan is presented as the net of the amount recognized for a reimbursement.

The amount recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognized actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Commission adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> IFRS 16 Leases 	January 01, 2019	The adoption of this standard has not had a material impact on the results of the fund, but has resulted in more disclosure than would have previously been provided in the financial statements

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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ACCOUNTING POLICIES (continued)

2. New Standards and Interpretations (continued)

2.2 Standard and interpretations not yet effective

The Commission has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Commission's accounting periods beginning on or after 1 March 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	January 01, 2023	**
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	January 01, 2022	**
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	January 01, 2020	**
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	January 01, 2022	**
• Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	January 01, 2022	**
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9	January 01, 2021	**
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16	January 01, 2021	**
• Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39	January 01, 2021	**
• COVID-19- Related Rent Concessions - Amendment to IFRS 16	June 01, 2020	**
• Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7	January 01, 2020	**
• Presentation of Financial Statements: Disclosure initiative, IAS 1	January 01, 2020	**
• Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative (IAS 8)	January 01, 2020	**

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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ACCOUNTING POLICIES (continued)

2. New Standards and Interpretations (continued)

2.2 Standard and interpretations not yet effective (continued)

**The Commission is currently performing an assessment to determine the potential impact of the new standard on the Commission's statement of financial position and performance. The Commission is still considering the transaction approach to be applied. The Commission does not expect that significant additional disclosures will be added to the financial statements to meet the revised requirements of the standard.

*The Commission is in the process of assessing the impact of the standard and the transitional provisions.

3. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Land	23 450	-	23 450	23 450	-	23 450
Buildings	136 454	(26 084)	110 370	126 602	(23 608)	102 994
Leasehold property	3 219	(2 365)	854	2 483	(2 158)	325
Furniture and fixtures	7 002	(4 475)	2 527	6 998	(4 077)	2 921
Motor vehicles	9 671	(7 736)	1 935	9 671	(7 055)	2 616
Office equipment	6 195	(3 892)	2 303	5 847	(3 554)	2 293
Computer equipment	31 612	(15 375)	16 237	31 247	(12 646)	18 601
Total	217 603	(59 927)	157 676	206 298	(53 098)	153 200

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2021

	Opening balance	Additions	Disposals	Other Changes	Depreciat ion	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Land	23 450	-	-	-	-	23 450
Buildings	102 994	9 851	-	1	(2 476)	110 370
Leasehold property	325	736	-	-	(207)	854
Furniture and fixtures	2 921	15	-	(11)	(398)	2 527
Motor vehicles	2 616	-	-	-	(681)	1 935
Office equipment	2 293	336	-	12	(338)	2 303
Computer equipment	18 601	365	-	1	(2 730)	16 237
	153 200	11 303	-	3	(6 830)	157 676

Reconciliation of property, plant and equipment – 2020

	Opening balance	Additions	Disposals	Other Changes	Depreciat ion	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Land	23 450	-	-	-	-	23 450
Buildings	104 884	462	-	-	(2 352)	102 994
Leasehold property	489	-	-	-	(164)	325
Furniture and fixtures	2 680	656	(12)	-	(403)	2 921
Motor vehicles	3 336	-	-	-	(720)	2 616
Office equipment	1 795	816	(6)	-	(312)	2 293
Computer equipment	4 181	15 924	-	(1)	(1 503)	18 601
	140 815	17 858	(18)	(1)	(5 454)	153 200

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

3. Property, plant and equipment (continued)

Land and buildings comprise of:

Erf 119 Grootfontein (1 329 square metres, registration division F3),
Erf 120 Grootfontein (1 377 square metres with buildings thereon),
Erf 858 Walvis Bay (1 250 square metres with buildings thereon),
Erf 1589 Oshakati (3 515 square metres with buildings thereon),
Erf 1983 Keetmanshoop (2 624 square metres with buildings thereon),
Erf 1610 Keetmanshoop (1 184 square meters without improvements),
Erf 1959 Otjiwarongo (1 081 square metres without improvements),
Erf 1964 Otjiwarongo (1 393 square metres without improvements),
Erf 1965 Otjiwarongo (1 310 square metres without improvements),
Erf 2269 Windhoek Khomasdal (10 029 square metres, with buildings thereon),
Erf 644 Luderitz (1 074 square metres, with buildings thereon),
Erf 1372 Windhoek North (949 square metres, with buildings thereon) and
Erf 8451 Windhoek North (2 168 square metres, with buildings thereon).

4. Leases (Commission as lessee)

The Commission has leases for buildings for office use across the country. All these leases are short-term leases, due to the termination clauses which give the Commission or the Landlord the right to cancel the lease agreement at any time during the lease period, provided the notice period is served. Lease agreements are generally entered into for an average period of 3 years. The Commission has elected not to recognise a lease liability for these short-term leases. Payments made under such leases are expenses on a straight-line basis. The table below describes the lease activities of the Commission as recorded in the statement of comprehensive income:

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4. Leases (Commission as lessee) (continued)

Leased asset	Number of leases	Range of remaining term	Number of leases with extension options	Number of leases with termination options
Office building	10	1 to 20 months	9	9

Expenses on short term leases included in operating expenses N\$8 824 (2020: N\$5 795).

At 28 February 2021, the Commission was committed to short-term leases and the total commitment at this date was N\$4 199. (2020: N\$7 521).

Matrix for lease commitments

	2021	2020
	N\$	N\$
Less than 1 year	329	689
After 1 year not more than 5 years	3 870	6 832
Total commitments	4 199	7 521

5. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated Amortization	Carrying value	Cost / Valuation	Accumulated Amortization	Carrying value
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Software License	42 109	(34 675)	7 434	36 534	(30 251)	6 283

Reconciliation of intangible assets – 2021

	Opening balance	Additions	Amortization	Impairment	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Software License	6 283	5 575	(4 020)	(404)	7 434

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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5. Intangible assets (continued)

Reconciliation of intangible assets – 2020

	Opening balance	Additions	Amortizati on	Impairmen t	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Software License	7 932	2 372	(4 021)	-	6 283

6. Loans to / (from) related funds

	2021	2020
	N\$'000	N\$'000
National Medical Benefit Fund	3 943	3 943
National Pension Fund	14 932	13 606
	18 875	17 549
Total loss allowance	(18 875)	(17 549)
	-	-

The loans due from National Pension Fund and National Medical Benefit Fund are repayable upon formation of these Funds. There are no repayment terms, but repayment is not expected within the next twelve months. The loans are unsecured and bear no interest. Due to the aforementioned, the loss allowance for these loans are expected to be equal to the gross loan amount.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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	2021	2020
	N\$'000	N\$'000
7. Investments and other financial assets		
At fair value through profit or loss		
Funds held with approved investment managers	3 387 919	3 267 596
Funds held with investment managers are fairly valued by the respective investment manager at year end.		
At amortized cost		
Fixed term deposits	844 482	811 177
Fixed term deposits are held with the financial institutions. The average investment period is 0 to 70 months from the statement of financial position date and interest rates are between 3% and 7.75% per annum. The carrying amounts approximate the fair value.		
Loss allowance on investments at amortized cost	(136 474)	(148 472)
Study loans to students	9 369	8 327
Study loans are repayable on completion of studies. The loans earn interest at 50% of the prime lending rate upon the date of issue. Loans are secured by collaterals. Due to the relaxed terms of the loans, and the credit quality of the lenders, the loans are impaired immediately.		
Loss allowance on study loans	(9 369)	(8 327)
Total financial assets at amortized cost	708 008	662 705
Total investments and other financial assets	4 095 927	3 930 301
Current assets		
At fair value through profit or loss	3 387 919	3 267 596
Financial assets at amortized cost	708 008	662 705
	4 095 927	3 930 301

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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7. Investments and other financial assets (continued)

Fair value information

Funds held with investment managers are fairly valued by investment managers as at year end. The fair value of listed or quoted investments is based on quoted market price. The fair values are determined annually at statement of financial position date.

For financial assets recognized at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted rates for identical assets.

Level 2 applies to inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 applies to inputs which are not based on observable market data.

	<u>2021</u>	<u>2020</u>
	N\$'000	N\$'000
Level 1		
Financial Assets held through profit or loss	3 387 919	3 267 596

Credit quality of financial assets

Investments with Avid Investment managers and SME bank were fully impaired as they are past maturity date and recoverability of funds is uncertain.

Management considered the credit risk of the investments at amortized cost, which are neither past due nor impaired at reporting date and subsequently, and is of opinion that the risk did not increase significantly since the date at which the investment was initially made. Except for the investments which were impaired, none of the other investments are past due.

Due to the low income levels of the target market for study loans and the relaxed terms of the loans, study loans are impaired immediately. The risk of default for these loans are high, the interest rate are below inflation and repayment terms can be renegotiated and extended to suit the lender.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2021

	2021	2020
	N\$'000	N\$'000
7. Investments and other financial assets (continued)		
Exposure to currency risk		
Namibia Dollar	4 095 927	3 930 301
8. Trade and other receivables		
Financial instruments		
Trade receivables	200 714	190 945
Loss allowances	(175 388)	(157 286)
Trade debtors with credit balances reclassified to payables	22 108	20 987
Other	5 346	1 300
	<u>52 780</u>	<u>55 946</u>
Non-financial instruments		
Prepayments	59	59
Total	<u>52 839</u>	<u>56 005</u>

Categorization of trade and other receivables

Trade and other receivables are categorized as follows in accordance with IFRS 9: Financial Instruments:

At amortized cost	52 780	55 946
Non-financial instruments	59	59
	<u>52 839</u>	<u>56 005</u>

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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8. Trade and other receivables (continued)

Exposure to credit risk

Trade receivables inherently expose the Fund to credit risk, being the risk that the Fund will incur financial loss if members fail to make payments as they fall due.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

Trade receivables arise from both contribution income and assessment income returns received from employers. The customer base is large and widespread, with a result that there is no specific significant concentration of credit risk from these trade receivables.

The average credit period on trade receivables is 30 days (2020: 30 days). No interest is charged on outstanding trade receivables for the first 30 days from date of invoicing. Thereafter, interest is charged on the trade receivables at the rate of 10% per annum for assessments income receivables and 20% per annum for contribution income receivables. The Fund makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The estimation techniques explained have been applied consistently since 2018/19 financial year, as a result of the adoption of IFRS 9.

The Fund's historical credit loss experience shows significantly different loss patterns for assessment income receivables and contribution income receivables. The provision for credit losses is therefore based on past due status for the different categories of receivables as mentioned above. The loss allowance provision for the assessment income receivables is determined as follows:

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

8. Trade and other receivables (continued)

	2021	2021	2020	2020
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:	N\$'000	N\$'000	N\$'000	N\$'000
Not past due: 2% (2020: - 3%)	6 360	(104)	6 350	(191)
31 - 60 days past due: 2% (2020: - 8%)	1 143	(25)	1 143	(91)
61 - 90 days past due: 4% (2020: - 14%)	2 539	(106)	1 800	(252)
91 - 365 days past due: 6% (2020: - 23%)	24 022	(1 441)	17 339	(3 988)
More than 365 days past due: 100% (2020: - 100%)	87 334	(87 334)	78 750	(78 750)
Total	121 398	(89 010)	105 382	(83 272)

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

	2021	2020
	N\$'000	N\$'000
Opening balance	(157 286)	(140 793)
Re-measurement of loss allowance	(18 102)	(16 493)
Closing balance	(175 388)	(157 286)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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	2021	2020
	N\$'000	N\$'000
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	11	11
Bank balances and short-term deposits	241 730	44 395
	241 741	44 406

The average interest rates are between 0% to 2.75%.
The carrying amount approximates the fair value.

10. Provisions

Reconciliation of provisions - 2021	Opening balance	Movement	Total
	N\$'000	N\$'000	N\$'000
ECF – Incurred but not reported compensation claims (IBNR)	134 743	(9 183)	125 560
MSD – Unreported incurred claims	84 506	(18 832)	65 674
Outstanding claims	7 231	(2 259)	4 972
Merit rebates	563	282	845
	227 043	(29 992)	197 051

Reconciliation of provisions - 2020	Opening balance	Movement	Total
	N\$'000	N\$'000	N\$'000
ECF - Incurred but not reported compensation claims (IBNR)	146 903	(12 160)	134 743
MSD - Unreported incurred claims	96 886	(12 380)	84 506
Outstanding claims	3 807	3 424	7 231
Merit rebates	1 126	(563)	563
	248 722	(21 679)	227 043

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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	2021	2020
	N\$'000	N\$'000
10. Provisions (continue)		
Non-current liabilities	95 442	97 466
Current liabilities	101 609	129 577
	197 051	227 043
ECF - Fair value determination of the IBNR compensation claims		
Medical claims	6 031	10 137
Permanent disability	1 957	1 360
Temporary disability	1 020	1 752
Burial and transport expenses	172	181
Pension liability	92 512	86 395
Claims handling provision	22 950	33 575
Data integrity provision	918	1 343
	125 560	134 743
MSD - Fair value determination of the unreported incurred claims		
Death	2 023	2 503
Maternity leave	21 717	27 131
Retirement benefits	7 058	10 008
Sick leave	2 881	3 694
Outstanding claims	4 972	7 231
Data integrity provision	3 368	4 334
	65 674	84 506

**SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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10.1 Incurred But Not Reported (IBNR Claims)

The unreported incurred claims represent the management estimate as at 28 February 2021 based on the actuarial valuation at that date.

The IBNR reserves or provision for outstanding claims were estimated using the basic chain ladder method.

The runoff claims for Employees' Compensation Fund have been grouped into the following subgroups:

- (i) Burial and transport;
- (ii) Medical claims;
- (iii) Permanent disability;
- (iv) Temporary disability

10.1 Incurred But Not Reported (IBNR Claims) (continue)

The runoff claims for Maternity Leave, Sick and Death Benefit Fund have been grouped into the following subgroups:

- (i) Death;
- (ii) Maternity Leave;
- (iii) Sick Leave;
- (iv) Retirement benefit.

Runoff triangles for each of these subgroups were performed by grouping the data by accident year and payment year. Development factors based on the accumulated claims paid after each period in respect of claims from same year of accident were used. These development factors were used to project the expected claims during each future period. By using the chain ladder method, the following assumptions were made:

- (i) The claims development factors will remain stable
- (ii) Past claims experience is a suitable guide to future claims experience

The IBNR liability as calculated using basic chain ladder method was not discounted resulting in a more prudent estimate of the IBNR.

**SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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10.2 Pension Liabilities

The pension liability is the present value of all future expected pension payments calculated by discounting the current pension being paid by a net discount rate and allowing for mortality. The management made the following assumptions to value the pensioner liability:

10.2.1 Post-retirement rate of interest

In order to make some allowance for increasing pensions in the future, the interest rate adopted in the valuation calculations was 3% p.a. in respect of the period after each member's retirement. The fund does not have a formal pension increase policy, but pensions are increased from time to time on an ad-hoc basis. The effect of this measure is that if in a particular year, for example, the fund earns 10% on its investments then the Fund can grant a 6.7% $(1.10/1.03 - 1)$ increase in pension's payable from the Fund without any financial strain on the Fund.

10.2.2 Mortality

Mortality for those in receipt of pension payments was assumed to be in line with the PA (90) mortality table. Disabled members were assumed to experience higher mortality equal to that for a life aged 15 years older. Child mortality was ignored until age 18.

10.2.3 Spouse

All disabled pensioners were assumed to have a spouse to whom a 50% reversionary pension is paid. Male pensioners are assumed to be four years older than their spouses. The constant allowance pensions were valued based on a single life pension only since these pensions will stop on the death of a disabled person.

10.3 Claims handling provision

Part of the expenses that the Commission will be paying in future will be related to handling IBNR claims. A claims handling provision equal to 85% of the IBNR liability for the MSD fund and 250% of the IBNR liability for the ECF fund was set up to cover future expenses. The claims handling provision for both the MSD and EC funds are the same as used in the previous valuation. For the EC fund, the ratio of expenses to claims has shown an increasing trend from 182.65% in 2018 to 272.1% in 2020, with a decline in to 217.87% in 2021. Actuaries proposed that the ratio of 250% used in the previous valuation be maintained.

The claims handling provision for the MSD fund was calculated as the ratio of expenses paid relative to claims paid in 2015 according to the actuarial valuation. Actuaries applied this ratio to the IBNR liabilities to arrive at an estimate of the claims handling provision. This ratio varied

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
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10.3 Claims handling provision (continued)

between 75% and 97% during the years 2016 to 2020. The actuaries, however decided to maintain the ratio at 85% for the current year.

10.4 Data integrity

The IBNR liability and the Pension liability as discussed above depend on the accuracy of the data provided. Actuaries left the data integrity provisions unchanged from the previous valuation for the fund at 10% of the IBNR liability. This assumption will be monitored and updated when the next statutory actuarial valuation is performed.

	2021	2020
	N\$'000	N\$'000
11. Trade and other payables		
Financial instruments		
Trade payables	42 400	28 487
Accrued expenses	5 185	2 197
Trust accounts	89 142	-
Deposits received	62	62
Unclaimed monies	265	288
Accrued leave pay	26 374	19 941
Trade receivables with credit balances	22 108	20 987
Unknown deposits	2 040	2 666
Accrued bonus	3 631	3 274
	<u>191 207</u>	<u>77 902</u>
Non-financial instruments		
Value Added Tax	103	62
Revenue received in advance	198 506	196 432
	<u>198 609</u>	<u>196 494</u>
Total	<u><u>389 816</u></u>	<u><u>274 396</u></u>

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
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	2021	2020
	N\$'000	N\$'000
11. Trade and other payables (continued)		
Categorization of trade and other payables		
At amortized cost	191 207	53 961
Non-financial instruments	198 609	220 435
	389 816	274 396
12. Revenue		
The Commission disaggregate revenue from customers as follows:		
Rendering of services		
Contribution income	482 399	514 414
Assessment income	128 076	135 642
	610 475	650 056
Other revenue		
Contributions from MSD Fund	150 000	50 996
	760 475	701 052
All revenue are recognized at a point in time.		
13. Claims and benefits		
Development fund schemes	102 063	28 590
Compensation payments	2 848	3 571
Medical expenses	5 174	6 019
Merit rebates	282	258
Capital pension paid - APF	3 253	6 224
Pension paid - APF	12 465	2 990
Maternity leave	201 662	205 055
Sick leave	15 250	21 409
Death benefit	6 222	6 719
Retirement benefit	34 797	38 288
Data integrity provision	(1 391)	(1 409)
Claims handling provision	(18 834)	(5 688)
	363 791	312 026

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	2021	2020
	N\$'000	N\$'000
14. Other income		
Miscellaneous income	13 997	5 096
Rental income	1 544	1 668
	15 541	6 764
15. Surplus before investment income		
Surplus before investment income for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
Contractual amounts	8 824	5 795
For further detail on lease charges, refer to note 4.		
Amortization on intangible assets	4 020	4 021
Impairment on intangible assets	404	-
Depreciation on property, plant and equipment	6 830	5 455
Employee costs	247 588	222 551
Research and development	133	-
16. Investment income		
Interest income		
Financial institutions	44 786	55 283
Funds under investment managers	306 831	182 974
	351 617	238 257
17. Auditors' remuneration		
Fees	-	246

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

	2021	2020
	N\$'000	N\$'000
18. Cash generated from operations		
Surplus for the year	414 441	311 933
Adjustments for:		
Depreciation and amortization	10 850	9 476
Loss on sale of assets	-	-
Investment Income	(351 617)	(238 257)
Impairment of intangible assets	404	-
Movements in provisions	(29 992)	(21 679)
Movement in the retirement benefit liability	15 553	6 197
Other non-cash items	(2)	-
Changes in working capital:		
Trade and other receivables	3 166	(8 071)
Trade and other payables	115 420	(10 889)
	178 223	48 710

19. Retirement benefits

Defined benefit plan

Pension fund

The staff members are members of Government Institutions Pension fund (GIPF), a defined benefit fund. The sponsors of the fund are various government related institutions that include the fund and these sponsors have an obligation to meet the shortfall if the fund's liabilities were to exceed the fund's assets.

There is not sufficient information available to enable the fund to account for the plan as a defined benefit plan due to the fact that the proportionate share applicable to the fund is not clearly identified. The plan is therefore accounted as if it is a defined contribution plan.

The value of the assets of GIPF is valued by actuaries every third year. The latest valuation was done at 31 March 2018, and the valuator reported that the fund was in good financial position, and that the present rates of contributions were adequate to enable the fund to provide benefits to which members are entitled. With reported actuarial value of liabilities and reserves of N\$ 109.94 billion and assets of N\$ 110.20 billion, the funding level at valuation date was 100.70%.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

19. Retirement benefits (continued)

The internal guideline of the GIPF is to target a funding level (after contingency reserves) of between 105% and 115% over time. The actuaries noted that as at current valuation date, the funding levels falls below this ideal range. This is attributed to the investments performance over the last 3 years which was low relative to the funding valuation interest rate of 12% p.a.

The method used to place value on the past services liabilities and the required future contribution rate is known as the project unit credit method based on actuarial valuations.

Post-retirement medical benefit

The benefit is a final post-employment medical benefit plan. The employer pays 75% or 100% of the medical premium towards the medical scheme when qualifying employees retire.

	2021	2020
	N\$'000	N\$'000
Carrying value		
Present value of the defined benefit obligation - wholly unfunded	(102 977)	(87 424)
Non-current liabilities	(101 875)	(86 522)
Current liabilities	(1 102)	(902)
	(102 977)	(87 424)
Movements for the year		
Opening balance	(87 424)	(81 227)
Net expense recognized in profit and loss	(15 553)	(6 197)
	(102 977)	(87 424)
Net expense recognized in profit and loss		
Past service cost	(6 083)	(6 084)
Interest cost	(8 714)	(8 714)
Actuarial gains/losses	(1 584)	7 773
Contribution payments by employer	828	828
	(15 553)	(6 197)

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

19. Retirement benefits (continued)

	2021	2020
	N\$'000	N\$'000
Key assumptions used		
Assumptions used on the last valuation on 28 February 2021.		
Normal retirement age	60	60
Discount rate used	10.75%	9.97%
Medical aid contribution increase rate	8.98%	8.90%

Assumptions for demographics

The most important demographic assumptions are the mortality rate that applies after retirement and the withdrawal rate that applies before retirement. For mortality of the members the following mortality tables were used:

- Members before the age of retirement 100% SALT84-86 (2020: 100% SALT84-86).
- Continuation members (pensioners) PA(90) ultimate plus 0.5% improvement per annum. (2020: PA(90) ultimate plus 0.5% improvement per annum.)

For withdrawal rates before retirement, experiences in the general population and other large schemes were used.

Sensitivity analysis

The valuation above is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the Fund will be dependent on actual future levels of assumed variables. In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liability using the following assumptions:

- Real interest rate changes by 1% (real interest is the difference between the interest rate and the rate of increase in medical contribution)
- Assuming a change of 10% in the expected mortality.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

19. Retirement benefits (continued)

Real interest rate

The real interest rate is the difference between the discount rate and the assumed increase in medical contribution rates. Changes in the real interest rate will result in the Fund paying more or less for the medical contribution, which will have an impact on the liability. We tested the effect of a 1% change in the real interest rate and the effect is as follows:

	2021	2020
	N\$'000	N\$'000
1% increase in the real interest rate	(84 102)	(69 377)
Valuation assumption	(102 977)	(87 424)
1% decrease in the real interest rate	(127 585)	(111 378)

Demographics

Changes in the demographics of the members will have an impact on the actual cost to the Fund. If a heavier mortality rate is experienced it will reduce cost and less pre-retirement withdrawals will increase the cost of the scheme. We tested the effect of a 10% change in the mortality rates and the effect is as follows:

10 % Higher mortality rate	(98 192)	(82 999)
Valuation assumption	(102 977)	(87 424)
10% Lower mortality rate	(108 324)	(92 400)

20. Commitments

Not yet contracted for but authorized

Property, plant and equipment	187 154	346 148
Intangible assets	75 033	84 150

This authorized expenditure relates to property, plant and equipment and intangible assets and will be financed by surplus funds, existing cash resources and funds internally generated.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

21. Contingencies

1. SME Bank case - The matter relates to the failed investment of N\$120 million plus interest. The SSC made an investment of N\$120 million in the SME bank, as a Fixed term deposit. The SME bank failed to repay the money at maturity and was subsequently liquidated. Claims were submitted to the liquidators in respect of the failed deposit. The Commission received payment of N\$25 thousand from the SME Bank liquidation on 31 January 2020, as part settlement on the investment. The SSC received a further payment of N\$11 million on 20 January 2021. The Commission is represented by Mr. Nixon Marcus of Nixon Marcus Public Law Office
2. Avid - This matter relates to the failed investment of N\$ 30 million of the Commission. The amount recovered through the liquidation process was only N\$ 9,897,000. From 2005 to 2011, the SSC spent N\$ 4,645,000 in respect of legal fees in an effort to recover the funds of N\$ 30 million. The amount of N\$ 20,100,000 remains unrecovered. The accused persons were convicted and sentenced on 5 July 2018. The application in terms of Section 300 of the Criminal Procedure Act 51 of 1977 on behalf of the Commission, for the accused persons to compensate the Commission for the loss suffered by the Commission, was dismissed on 5 July 2018. The legal consultant on behalf of the SSC advised that the tracing and recovery of the remaining balance be done through State Authorities and the Financial Intelligence Centre, as this will not come at a cost whilst further civil proceedings will be expensive.
3. Freedom Square (Pty) Ltd – On 13 September 2013, the Social Security Commission (SSC) and Freedom Square Pty Ltd (Freedom Square) entered into a Memorandum of Agreement of Sale to purchase Erf 8769, Windhoek for the purchase price of N\$ 41,563,000. On 17 November 2017, the SSC was served with summons in terms of which Freedom Square is suing the SSC for breach of the Agreement of Sale entered into between the parties and they seek an order in the following terms:
 - (a) An order confirming the cancellation of the Agreement of Sale
 - (b) That the SSC be directed to retransfer Erf 8769 to Freedom Square.
 - (c) That the SSC pay damages to Freedom Square Pty Ltd in the sum of N\$ 24,414,000.
 - (d) That the SSC be directed under its tender to repay to Freedom Square upon retransfer of Erf 8769 to Freedom Square, the purchase price of N\$ 41,563,000 received by Freedom Square under the Agreement of Sale less the amount of N\$ 24,414,000.
 - (e) Further and or alternative relief.

On 13 October 2021, the parties reached a settlement agreement in terms whereof the SSC agreed to the withdrawal of the action on condition that Freedom Square pays the SSC's wasted costs. This matter was settled and removed from the roll. The matter was thus

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

21. Contingencies (continued)

finalized. The SSC was represented by Mr. Patrick Kauta of the law firm, Dr. Weder, Kauta and Kamuhanga Legal Practitioners.

22. Related parties

Relationships

Administrator	Social Security Commission Development Fund Maternity Leave, Sick Leave and Death Benefit Fund
Related funds	Employees' Compensation Fund National Pension Fund National Medical Benefit Fund Dr. D.I. Uirab (Chairperson) Ms. A. Titus Mr. H. Bruwer Ms. P.H. Masabane
Commissioners	Ms. B. C. Van der Westhuizen Ms. E. Burger Ms. N. Shilongo Ms K. T. N. N. Shilahla

23. Commissioners' emoluments

Emoluments of N\$ 1 244 (2020: N\$ 550) were paid to the commissioners during the year.

24. Risk management

Financial risk management

The primary objective in the investment of Commission's Fund is to balance the safety needs, liquidity and return objectives of the Fund against the liability structure and the general objectives of each Fund.

The investment portfolio shall be diversified to minimize the risk of loss resulting from concentration of assets in a specific maturity, specific issuer or a specific class of securities. Further diversification will be provided by employing more than one asset manager with relatively low correlation in their investment performance based on investment style.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

24. Risk management (continued)

Financial risk management (continued)

The Commissioners recognize that investment management is a long-term process and there will be fluctuations in the short-term. However, long-term objective will only be met if they are consistently achieved over a shorter period.

Real return (i.e. returns in excess of inflation) is required across the range of portfolios, which compensate adequately for the levels of risks inherent in the portfolio. The requirement for real returns shall not apply to the working capital portfolio.

Preservation of capital in real terms and absolute terms is an important consideration for the commission in the long-term.

Liquidity risk

Liquidity risk is the risk that the fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk arises when there is mismatching between the maturity of liabilities and assets.

The fund is exposed to daily calls on its available cash resources from claims. Liquidity is the risk that cash may not be available to pay obligations when due at a reasonable cost. The board sets limits on the minimum proportion of maturity funds available to meet such calls.

The fund actively manages its cash resources, split between short-term and long-term to ensure sufficient cash is at hand to settle claims liabilities, based on monthly float projections. The fund has significant liquid resources to cover its obligations.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

24. Risk management (continued)

At 28 February 2021	Held at fair value through profit or loss	Financial liabilities at amortized cost	Financial assets held at amortized cost
	N\$'000	N\$'000	N\$'000
Investments	3 387 919	-	708 008
Trade and other receivables	-	-	52 780
Trade and other payables	-	(191 207)	-
Retirement benefit obligation	-	(102 977)	-
Cash and cash equivalents	241 741	-	-
Provisions	-	(197 051)	-
Investments	3 267 596	-	662 705
Trade and other receivables	-	-	55 946
Trade and other payables	-	(53 961)	-
Retirement benefit obligation	-	(87 424)	-
Cash and cash equivalents	44 406	-	-
Provisions	-	(227 043)	-

Interest rate risk

Interest rate risk arises primarily from the fund investments in fixed income securities, which are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored through several measures that include monitoring of returns and switching investments to take advantage of high returns in certain instruments.

An increase or decrease of 1% in the respective interest rates would result in the following changes in the fair value or amortized costs of these financial instruments.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate on cash and cash equivalents affected. The impact is as follows:

Effect on surplus for the year	2021	2020
	N\$'000	N\$'000
Increase/ (decrease) of 1% in interest rates	22 767	22 167

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021**

24. Risk management (continued)

Financial instrument	Current interest rate	Due in less than a year	Due in more than two years
Cash flow interest rate risk – 2021	%	N\$'000	N\$'000
	15.00%	52 780	-
Trade and other receivables			
Funds held at fair value through profit or loss	5.57%	3 387 919	-
Cash and cash equivalents	1.63%	241 741	-
Funds held at amortized cost	3.77%	708 008	-
Trade and other payables	-%	(191 207)	-
Retirement benefit obligation	-%	(1 102)	(101 875)
Provisions	-%	(101 609)	(95 442)

Financial instrument	Current interest rate	Due in less than a year	Due in more than two years
Cash flow interest rate risk – 2020	15.00%	55 946	-
Trade and other receivables			
Funds held at fair value through profit or loss	5.47%	3 267 596	-
Cash and cash equivalents	1.86%	44 406	-
Funds held at amortized cost	7.31%	662 705	-
Trade and other payables	-%	(53 961)	-
Retirement benefit obligation	-%	(902)	(86 522)
Provisions	-%	(129 577)	(97 466)

Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

Key areas where the fund is exposed to credit risk are:

- accounts receivables
- investments and cash equivalents

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

24. Risk management (continued)

Credit risk management

Trade and other receivables

The fund's maximum exposure to credit risk at the reporting date is the carrying value of financial assets disclosed in notes 7 and 8. The fund does not hold any collateral as security. Receivables are presented net of the provision for credit loss allowances.

Investments and cash and cash equivalents

The fund's cash and cash equivalents and investments are placed with high credit quality financial institutions. The fund has a policy of limiting the amount of credit exposure to any one financial institution. The maximum exposure at the reporting date is the carrying value of cash and cash equivalents disclosed in note 9 and the carrying value of investments in note 7. The fund invests only with reputable financial institutions and the credit quality of financial assets is therefore good.

Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instruments are disclosed in note 1 to the financial statements. Refer to note 1 for additional details.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

24. Risk management (continued)

Financial assets and liabilities exposed to credit risk at year end were as follows:

	2021	2020
	N\$'000	N\$'000
Financial assets		
Funds at fair value through profit or loss	3 387 919	3 267 596
Funds held at amortized cost	708 008	662 705
Trade and other receivables	52 780	55 946
Cash and cash equivalents	241 741	44 406
	4 390 448	4 030 653
Financial liabilities		
Trade and other payables	191 207	53 961
Provisions	197 051	227 043
Retirement benefit obligation	102 977	87 424
	491 235	368 428

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in the interest rate and equity prices. Financial assets are disclosed in the following classes based on their similar characteristics:

Held for trading at fair value through profit and loss
Held at amortized cost
Held at fair value through Other Comprehensive Income

Market risk arises in the fund due to fluctuations in both the value of liabilities and value of investments held. Management has established a policy on market risk which sets out principles that the fund is expected to adopt in respect of management of the key market risks to which the fund is exposed. The board monitors adherence to this market risk policy and regularly reviews how management is managing these risks through the investment committee and audit and risk committee.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

24. Risk management (continued)

Market risk (continued)

For each of the major components of market risk, described in risk management note, the management has put in place additional policies and procedures to set out how risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

Price risk

The fund is subject to price risk due to the daily changes in the market values of its investments held by asset managers.

The fund's objective is to earn competitive relative returns by investing in a diverse portfolio of high quality, liquid securities. Portfolio characteristics are analyzed regularly and equity price risk is actively managed through a variety of modeling methods by asset managers. The fund's holdings are diversified across industries, and concentration in any one company or industry is limited by parameters established by asset managers and statutory requirements. The fund's exposure to movement in equities is 46% (2020: 44%) for domestic equities on the funds held by asset managers.

Equity price sensitivity analysis

At 28 February 2021, the fund's listed equities were recorded at their fair value of N\$ 1 955.7 million (2020: N\$ 1 735.2 million). A hypothetical 10% decline or increase in each individual share price would decrease/increase the surplus for the year by N\$ 195.6 million (2020: N\$ 173.5 million).

25. Non-current asset held for sale

The fund has decided to dispose of the land situated on erf 8769 freedom square in the central business district of Windhoek.

	2021	2020
	N\$'000	N\$'000
Cost of land	78 523	78 523

The decision was made by the commission to dispose of the land in the financial year ended 2017 due to the high cost of developing the property. The sale of the erf was delayed due to legal proceedings instigated against the SSC by the previous owner. Item 3 on note 21 explains the legal case.

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

Detailed Statement of Comprehensive Income

		2021	2020
	Note	N\$ '000	N\$ '000
Administrative fee income - Accident Pension Fund		4 172	5 688
Assessment income		112 775	115 683
Assessment interest		5 448	6 027
Assessment penalties		2 428	2 020
Contribution interest		3 885	3 232
Contribution revenue		478 514	511 182
Contributions from Maternity Leave, Sick Leave and Death		150 000	50 996
Pension capitalized - Accident Pension Fund		3 253	6 224
Revenue	12	760 475	701 052
Cost of sales			
Claims and benefits		(363 791)	(312 026)
Gross surplus		396 684	389 026
Investment and other income			
Rental income		1 544	1 668
Other income		13 997	5 096
Interest received	16	351 617	238 257
		763 842	634 047
Expenses (Refer to page 73)		(349 401)	(322 114)
Surplus for the year		414 441	311 933
Surplus for the year		414 441	311 933

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

Operating expenses

	Note	2021 N\$'000	2020 N\$'000
Administration and management fees		(15 084)	(16 403)
Advertising		(1 974)	(1 558)
Auditors remuneration	17	(-)	(246)
Bad debts – Credit loss allowances on trade receivables		(20 470)	(17 873)
Bank charges		(748)	(894)
Cleaning		(1 664)	(1 432)
Compliance awareness		(-)	(239)
Computer expenses		(640)	(375)
Conferences and seminars		(481)	(3 905)
Consulting and professional fees		(5 807)	(4 324)
Corporate functions		(354)	(965)
Debt collection expenses		(131)	(258)
Depreciation, amortization and impairments		(10 850)	(9 476)
Donations		(4 802)	(878)
Employee costs		(247 588)	(222 551)
Entertainment		(238)	(288)
General expenses		(8)	(39)
Health and safety		(18)	(268)
IT expenses		(60)	(11)
Impairment of intangibles		(404)	-
Insurance		(696)	(659)
Lease rentals on operating lease	4	(8 824)	(5 795)
Motor vehicle expenses		(68)	(73)
Office expenditure		(21)	(191)
Petrol and oil		(381)	(839)
Postage		(1 021)	(1 098)
Printing and stationery		(2 610)	(3 426)
Recruitment expenditure		(171)	(241)
Repairs and maintenance		(1 349)	(1 868)
Research and development costs		(133)	-

SOCIAL SECURITY COMMISSION AND ASSOCIATED FUNDS
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

Operating expenses (continued)

	Note	<u>2021</u>	<u>2020</u>
		N\$'000	N\$'000
Royalties and license fees		(6 534)	(5 080)
Security		(2 546)	(3 040)
Stimulus project expenses		(846)	-
Software support		(434)	(459)
Subscriptions		(497)	(593)
Telephone and fax		(5 257)	(4 615)
Training		(860)	(2 575)
Travel - local		(788)	(4 258)
Utilities		(5 005)	(5 321)
Web page development		(39)	-
		<u>(349 401)</u>	<u>(322 114)</u>

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

General Information

Country of incorporation and domicile

Namibia

Under the Social Security Act 34 of 1994, currently read with the Employees' Compensation Act 5 of 1995, the SSC's principal purpose is to administer the Funds established by the aforementioned statutes, a Maternity Leave, Sick Leave and Death Benefit Fund (MSD); an Employees' Compensation Fund (ECF); a Development Fund (DF); a National Medical Benefit Fund (NMBF) and a National Pension Fund (NPF). The NMBF and NPF have been established but are not operational.

Nature of business and principal activities

In administering the Funds, the SSC's principal operations include:

- (a) registering employers and employees;
- (b) collecting and investing contributions;
- (c) assessing and paying claims;
- (d) providing benefits and
- (e) providing training and employment schemes and providing financial aid to students.

Board of Commissioners

Dr. D.I. Uirab (Chairperson)

Ms. A. Titus

Ms. B. C. Van der Westhuizen

Ms. P.H. Masabane

Ms. E. Burger

Mr. H. Bruwer

Ms. N. Shilongo

Ms. K. T. N. N. Sihlahla

Registered office

Cnr. A. Kloppers & Haupt Streets

Khomasdal

Windhoek

Namibia

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2021

General Information (continued)

Business address	Cnr A. Kloppers & Haupt Streets Khomasdal Windhoek Namibia
Postal address	Private Bag 13223 Windhoek Namibia
Bankers	Bank Windhoek Limited First National Bank Namibia Limited
Auditors	Office of the Auditor – General
Secretary	Linda Dumba-Chicalu

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

COMMISSIONERS' RESPONSIBILITIES AND APPROVAL

The commissioners are required in terms of the Social Security Act of 1994 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the fund as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The commissioners acknowledge that they are ultimately responsible for the system of internal financial control established by the commissioners and place considerable importance on maintaining a strong control environment. To enable the commissioners to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the fund and all employees are required to maintain the highest ethical standards in ensuring the fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the fund is on identifying, assessing, managing and monitoring all known forms of risk across the fund. While operating risk cannot be fully eliminated, the fund endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The commissioners are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The commissioners have reviewed the fund's cash flow forecast for the year to 28 February 2022 and, in the light of this review and the current financial position, they are satisfied that the fund has or has access to adequate resources to continue in operational existence for the foreseeable future.

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

COMMISSIONERS' RESPONSIBILITIES AND APPROVAL (continued)

The external auditors are responsible for independently reviewing and reporting on the fund's annual financial statements. The annual financial statements have been examined by the fund's external auditors and their report is presented on pages 1 to 3.

The annual financial statements set out on pages 78 to 113, which have been prepared on the going concern basis, were approved by the board on 24 February 2022 and were signed on its behalf by:

.....
Commissioner

.....
Commissioner

Windhoek, 24 February 2022

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioners' Report

The commissioners submit their report for the year ended 28 February 2021. The amounts reflected in this report are rounded to thousand Namibia Dollar (N\$ '000).

1. Review of activities

Main business and operations

Under the Social Security Act 34 of 1994, the SSC's principal purpose is to administer the Fund established by the aforementioned statute namely the Maternity Leave, Sick Leave and Death Benefit Fund (MSD).

In administering the Funds, the SSC's principal operations include: (a) registering employers and employees; (b) collecting and investing contributions; (c) assessing and paying claims and (d) providing benefits.

The operating results and state of affairs of the fund are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the fund was N\$ 175 879 (2020: N\$138 136).

2. Events after the reporting period

The commissioners are not aware of any matter or circumstances arising since the end of the financial year.

In terms of the pending litigation matter between the Commission and Freedom Square, the parties reached a settlement agreement on 13 October 2021, in terms whereof the SSC agreed to the withdrawal of action on condition that Freedom Square pays the Commission's wasted costs. This matter was settled and removed from the roll.

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioners' Report (continued)

3. Going concern

The commissioners performed an assessment of whether the SSC and its associate Funds, is a going concern in the light of the prevailing COVID pandemic, the economic condition of the country and other information about future risks and uncertainties. The projections have been prepared considering, future benefit enhancements, revenue collections, and financial sustainability which includes inter alia liquidity and solvability for a period of 12 months.

The areas of financial performance of the fund mostly affected are primary revenue, investment income and the credit quality of financial assets. Although it's difficult to predict the duration and extent of the pandemic and its impact on the economy, the projections show that the fund administered by the SSC have sufficient liquidity and solvency to continue operate in the foreseeable future. The commissioners are therefor satisfied that the presentation of the annual financial statements on a going concern basis is appropriate.

4. Commissioners' interest in contracts

The commissioners did not have any interest in the contracts entered into by the fund during the year.

5. Non-current assets

There were additions to property, plant and equipment amounting to N\$ 9 396 (2020: N\$ 14 912) during the year under review, reclassifications from investment property of N\$ Nil (2020: Nil), and disposals with a carrying amount of N\$ Nil (2020: N\$ 20). There were additions to intangible assets amounting to N\$ 4 655 (2020: N\$ 1 980).

6. Transfer to Development Fund

There were transfers of N\$ 150 000 (2020: N\$ 50 996) to Development Fund in the year under review.

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
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Commissioners' Report (continued)

7. Commissioners

The commissioners of the fund during the year and to the date of this report are as follows:

Name	Change
Ms. A. Titus	Re-appointed 1 April 2021
Mr. E.S. Maswahu	Term of office expired 31 March 2021
Ms. J. Jonas	Term of office expired 31 March 2021
Ms. T.V.P. Nauyoma	Term of office expired 31 March 2021
Dr D.I. Uirab (Chairperson)	Re-appointed 1 April 2021
Mr. K. B. Black	Term of office expired 31 March 2021
Ms. P. H. Masabane	Re-appointed 1 April 2021
Mr. N. Ntelamo	Term of office expired 31 March 2021
Ms. K. T. N. N. Shilahla	Re-appointed 1 April 2021
Ms. P. J. Olivier	Term of office expired 31 March 2021
Ms. B. C. Van der Westhuizen	Appointed 1 April 2021
Mr. H. Bruwer	Appointed 1 April 2021
Ms. N Shilongo	Appointed 1 April 2021
Ms. E. Burger	Appointed 1 April 2021

8. Secretary

The secretary of the Fund is Linda Dumba-Chicalu of (Appointed 12 April 2021) :

Business address	Cnr. A. Kloppe & Haupt Streets Khomasdal Windhoek
Postal address	Private Bag 13223 Windhoek Namibia

9. Auditors

The Auditor-General will continue in office in accordance with section 19 of the Social Security Act of 1994.

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
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Statement of Financial Position

	Note	2021 N\$ '000	2020 N\$ '000
Assets			
Non-Current Assets		107 766	102 937
Property, plant and equipment	3	102 623	98 755
Intangible assets	5	5 143	4 182
Current Assets		2 480 727	2 438 763
Loans to related funds	6	105 211	26 145
Investments and other financial assets	7	2 346 118	2 367 116
Trade and other receivables	8	17 190	21 591
Cash and cash equivalents	9	12 208	23 911
Non-current assets held for sale	24	65 567	65 567
Total Assets		2 654 060	2 607 267
Funds and Liabilities			
Funds			
Accumulated funds		2 357 683	2 331 804
Liabilities			
Non-Current Liabilities		86 788	76 651
Retirement benefit obligation	19	83 065	70 547
Provisions	10	3 723	6 104
Current Liabilities		209 589	198 812
Loans from related funds	6	18 665	11 856
Trade and other payables	11	123 102	100 588
Retirement benefit obligation	19	899	735
Provisions	10	66 923	85 633
Total Liabilities		296 377	275 463
Total Funds and Liabilities		2 654 060	2 607 267

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
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Statement of Comprehensive Income

		2021	2020
	Note	N\$ '000	N\$ '000
	12	482 399	514 414
Revenue			
Claims	13	(248 756)	(265 439)
Gross surplus		233 643	248 975
Other income	14	3 868	4 012
Operating expenses		(275 866)	(250 167)
Surplus/(Deficit) before investment income		(38 355)	2 820
Investment income	16	214 234	135 316
Surplus for the year		175 879	138 136
Other comprehensive income		-	-
Total comprehensive income		175 879	138 136

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
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Statement in Changes of Funds

	Accumulated funds	Total funds
	N\$ '000	N\$ '000
Balance at 28 February 2019	2 244 664	2 244 664
Changes in funds		
Total comprehensive income for the year	138 136	138 136
Transfer to Development Fund	(50 996)	(50 996)
Total changes	87 140	87 140
Balance at 29 February 2020	2 331 804	2 331 804
Changes in funds		
Total comprehensive income for the year	175 879	175 879
Transfer to Development Fund	(150 000)	(150 000)
Total changes	25 879	25 879
Balance at 28 February 2021	2 357 683	2 357 683

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
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Statement of Cash Flows

		2021	2020
	Note	N\$ '000	N\$ '000
Cash flows from operating activities			
Cash generated from operations	18	(10 625)	(2 149)
Investment income		214 234	135 316
Net cash from operating activities		203 609	133 167
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(9 396)	(14 912)
Purchase of other intangible assets	5	(4 655)	(1 980)
Loans from related funds		(72 259)	(1 786)
Purchase of financial assets		20 998	(49 399)
Net cash from investing activities		(65 312)	(68 077)
Cash flows from financing activities			
Distributions to Development Fund		(150 000)	(50 996)
Total cash movement for the year		(11 703)	14 094
Cash at the beginning of the year		23 911	9 817
Total cash at end of the year	9	12 208	23 911

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Social Security Act 34 of 1994. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out on pages 15 to 40. They are presented in Namibia Dollars.

These accounting policies are consistent with the previous period.

2. New Standards and Interpretations

New standards and interpretations applicable to the Fund are reflected on page 40 - 42.

3. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Land	16 288	-	16 288	16 288	-	16 288
Buildings	90 679	(19 783)	70 896	82 453	(17 716)	64 737
Leasehold property	2 696	(1 975)	721	2 073	(1 802)	271
Furniture and fixtures	4 150	(2 695)	1 455	4 147	(2 385)	1 762
Motor vehicles	5 408	(5 160)	248	5 408	(4 679)	729
Office equipment	3 228	(2 225)	1 003	2 938	(1 951)	987
IT equipment	22 372	(10 360)	12 012	22 118	(8 137)	13 981
Total	144 821	(42 198)	102 623	135 425	(36 670)	98 755

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2021

	Opening balance	Additions	Disposals	Depreciation	Other movements	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Land	16 288	-	-	-	-	16 288
Buildings	64 737	8 226	-	(2 067)	-	70 896
Leasehold property	271	623	-	(173)	-	721
Furniture and fixtures	1 762	3	-	(310)	-	1 455
Motor vehicles	729	-	-	(481)	-	248
Office equipment	987	290	-	(274)	-	1 003
IT equipment	13 981	254	-	(2 223)	-	12 012
	98 755	9 396	-	(5 528)	-	102 623

Reconciliation of property, plant and equipment – 2020

	Opening balance	Additions	Disposals	Depreciation	Other movements	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Land	16 288	-	-	-	-	16 288
Buildings	66 315	386	-	(1 964)	-	64 737
Leasehold property	408	-	-	(137)	-	271
Furniture and fixtures	1 540	547	(10)	(315)	-	1 762
Motor vehicles	1 241	-	-	(512)	-	729
Office equipment	564	683	(10)	(250)	-	987
IT equipment	1 915	13 296	-	(1 230)	-	13 981
	88 271	14 912	(20)	(4 408)	-	98 755

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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3. Property, plant and equipment (continued)

Land and buildings comprise of:

Erf 119 Grootfontein (1 329 square metres, registration division F3),
 Erf 120 Grootfontein (1 377 square metres with buildings thereon),
 Erf 858 Walvis Bay (1 250 square metres with buildings thereon),
 Erf 1589 Oshakati (3 515 square metres with buildings thereon),
 Erf 1983 Keetmanshoop (2 624 square metres with buildings thereon),
 Erf 1610 Keetmanshoop (1 184 square meters without improvements),
 Erf 1959 Otjiwarongo (1 081 square metres without improvements),
 Erf 1964 Otjiwarongo (1 393 square metres without improvements),
 Erf 1965 Otjiwarongo (1 310 square metres without improvements),
 Erf 2269 Windhoek Khomasdal (10 029 square metres, with buildings thereon),
 Erf 644 Luderitz (1 074 square metres, with buildings thereon),
 Erf 1372 Windhoek North (949 square metres, with buildings thereon) and
 Erf 8451 Windhoek North (2 168 square metres, with buildings thereon).

4. Leases (Commission as lessee)

The Commission has leases for buildings for office use across the country. All these leases are short-term leases, due to the termination clauses which give the Commission or the Landlord the right to cancel the lease agreement at any time during the lease period, provided the notice period is served. Lease agreements are generally entered into for an average period of 3 years. The Commission has elected not to recognise a lease liability for these short-term leases. Payments made under such leases are expenses on a straight line basis. The table below describes the lease activities of the Commission as recorded in the statement of comprehensive income:

Leased asset	Number of leases	Range of remaining term	Number of leases with extension options	Number of leases with termination options
Office building	10	1 to 20 months	9	9

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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4. Leases (Commission as lessee) (continue)

Expenses on short term leases included in operating expenses N\$7 368 (2020: N\$4 822).

At 28 February 2021, the Commission was committed to short-term leases and the total commitment at this date was N\$3 506. (2020: N\$6 280)

	2021	2020
Matrix for lease commitments	N\$'000	N\$'000
Less than 1 year	274	575
After 1 year not more than 5 years	3 232	5 705
	3 506	6 280

5. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulat ed Amortizati on	Carrying value	Cost / Valuation	Accumulat ed Amortizati on	Carrying value
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Software license	34 704	(29 561)	5 143 317	30 049	(25 867)	4 182 317

Reconciliation of intangible assets – 2021

	Opening balance	Additions	Amortizati on	Impairment	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Software License	4 182	4 655	(3 356)	(338)	5 143

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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5. Intangible assets (continued)

Reconciliation of intangible assets – 2020

	Opening balance	Additions	Amortizati on	Impairmen t	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Software License	5 559	1 980	(3 357)	-	4 182

6. Loans to/(from) related funds

	2021	2020
	N\$'000	N\$'000
Related funds		
Development Fund	(73)	(73)
Employees' Compensation Fund	(2 788)	(2 788)
Social Security Commission	(15 804)	(8 995)
Employees' Compensation Fund	2 506	1 783
Development Fund	71 443	-
Social Security Commission	31 262	24 362
	86 546	14 289
Current assets	105 211	26 145
Current liabilities	(18 665)	(11 856)
	86 546	14 289

The above loans are interest free, unsecured and have no fixed terms of repayment. The associated funds have sufficient resources to settle the loans, hence the loss allowance for these was not considered.

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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7. Investments and other financial assets (continued)

	2021	2020
	N\$'000	N\$'000
At fair value through profit or loss		
Funds held with approved investment managers	2 161 321	2 331 831
Funds held with investment managers are fairly valued by the respective investment manager at year end.		
At amortized cost		
Fixed term deposits	198 967	50 916
Fixed term deposits are held with the financial institutions. The average investment period is 1 to 70 months from the statement of financial position date and interest rates are between 4.64% and 7.70% per annum. The carrying amounts approximate the fair value.		
Loss allowance on investments at amortized cost	(14 170)	(15 631)
Total investments at amortized cost	184 797	35 285
Total investments	2 346 118	2 367 116
Current assets		
At fair value through profit or loss	2 161 321	2 331 831
Held at amortized cost	184 797	35 285
	2 346 118	2 367 116

Fair value information

The fair value of listed or quoted investments are based on quoted market price.

Fair value is determined annually at statement of financial position date.

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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7. Investments and other financial assets (continued)

Fair value hierarchy of financial assets at fair value through profit or loss

For financial assets recognized at fair value disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

	2021	2020
	N\$' 000	N\$'000
Level 1		
Financial assets held at fair value through profit or loss	2 161 321	2 331 831

Credit risk

Management considered the credit risk of the investments at amortized cost, and which are neither past due nor impaired at reporting date and subsequently and is of opinion that the risk did not increase significantly since the date at which the investment was initially made. Except for the investments which were impaired, none of the other investments are past due.

8. Trade and other receivables

Financial instruments

Trade receivables	91 544	86 183
Deposits	8 241	7 994
Operating lease rentals receivable	1 090	1 149
Loss allowances	(86 378)	(74 014)
	14 497	21 312

Non-financial instruments

Other receivables	2 693	279
	17 190	21 591

Categorization of trade and other receivables

Trade and other receivables are categorized as follows in accordance with IFRS 9: Financial Instruments

:		
At amortized cost	14 497	21 312
Non-financial instruments	2 693	279
	17 190	21 591

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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8. Trade and other receivables (continued)

Exposure to credit risk

Trade receivables inherently expose the Fund to credit risk, being the risk that the Fund will incur financial loss if members fail to make payments as they fall due.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

Trade receivables arise from contribution income returns received from employers. The customer base is large and widespread, with a result that there is no specific significant concentration of credit risk from these trade receivables.

The average credit period on trade receivables is 30 days (2020: 30 days). No interest is charged on outstanding trade receivables for the first 30 days from date of invoicing. Thereafter, interest is charged on the trade receivables at the rate of 20% per annum for contribution income debtors.

The Fund makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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8. Trade and other receivables (continued)

Exposure to credit risk (continued)

The estimation techniques explained have been applied for the first time in the previous financial period, as a result of the adoption of IFRS 9. The loss allowance provision for contribution income receivables is determined as follows:

	2021	2021	2020	2020
	N\$' 000	N\$' 000	N\$' 000	N\$' 000
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Not past due: 53% (2020: - 25%)	15 856	(8 349)	15 491	(3 873)
31 - 60 days past due: 58% (2020: 58%)	5 529	(4 487)	2 984	(1 731)
61 - 90 days past due: 89% (2020: 80%)	1 647	(1 473)	1 896	(1 517)
91 - 365+ days past due: 100% (2020: 100%)	72 068	(72 068)	66 893	(66 893)
Total	95 100	(86 377)	87 264	(74 014)

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

	2021	2020
	N\$' 000	N\$' 000
Opening balance	(74 014)	(67 573)
Re-measurement of loss allowance	(12 363)	(6 441)
Closing balance	(86 377)	(74 014)

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9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021	2020
	N\$' 000	N\$'000
Bank balances and short-term deposits	12 208	23 911

The average interest rates are between 0% to 2.75%.
The carrying amount approximates the fair value.

10. Provisions

Reconciliation of provisions – 2021

	Opening balance	Movement s	Total
	N\$'000	N\$'000	N\$'000
Unreported incurred claims	84 506	(18 832)	65 674
Outstanding claims	7 231	(2 259)	4 972
	91 737	(21 091)	70 646

Reconciliation of provisions - 2020

	Opening balance	Movement s	Total
	N\$'000	N\$'000	N\$'000
Unreported incurred claims	96 886	(12 380)	84 506
Outstanding claims	3 807	3 424	7 231
	100 693	(8 956)	91 737

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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10. Provisions (continued)

	2021	2020
	NS'000	NS'000
Non-current liabilities	3 723	6 104
Current liabilities	66 923	85 633
	70 646	91 737
Fair value determination of the unreported incurred claims		
Death	2 023	2 503
Maternity leave	21 717	27 131
Retirement benefits	7 058	10 008
Sick leave	2 881	3 694
Claim handling provision	28 627	36 836
Data integrity provision	3 368	4 334
	65 674	84 506

10.1 Incurred But Not Reported (IBNR Claims)

The unreported incurred claims represent the management estimate as at 28 February 2021 based on the actuarial valuation at that date.

The unreported but incurred claims were determined based on basic chain ladder method. The method involves the following:

The runoff claims for Maternity Leave, Sick Leave and Death Benefit Fund have been grouped into the following subgroups:

- (i) Death;
- (ii) Maternity Leave
- (iii) Sick Leave
- (iv) Retirement benefit

**MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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10. Provisions (continued)

Runoff triangles for each of these subgroups were performed by grouping the data by accident year and payment year. Development factors based on the accumulated claims paid after each period in respect of claims from same year of accident were used. These development factors were used to project the expected claims during each future period. By using the chain ladder method, the following assumptions were made:

- (i) The claims development factors will remain stable
- (ii) Past claims experience is a suitable guide to future claims experience

The IBNR liability as calculated using basic chain ladder method was not discounted resulting in a more prudent estimate of the IBNR.

10.2 Pension Liabilities

The pension liability is the present value of all future expected pension payments calculated by discounting the current pension being paid by a net discount rate and allowing for mortality. The management made the following assumptions to value the pensioner liability:

10.2.1 Post-Retirement Rate of Interest

In order to make some allowance for increasing pensions in the future, the interest rate adopted in the valuation calculations was 3% p.a. in respect of the period after each member's retirement. The fund does not have a formal pension increase policy, but pensions are increased from time to time on an ad-hoc basis.

The effect of this measure is that if in a particular year, for example, the fund earns 10% on its investments then the Fund can grant a 6.7% ($1.10/1.03 - 1$) increase in pension's payable from the Fund without any financial strain on the Fund.

10.2.2 Mortality

Mortality for those in receipt of pension payments was assumed to be in line with the PA (90) mortality table. Disabled members were assumed to experience higher mortality equal to that for a life aged 15 years older. Child mortality was ignored until age 18.

**MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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10. Provisions (continued)

10.2.3 Spouse

All disabled pensioners were assumed to have a spouse to whom a 50% reversionary pension is paid. Male pensioners are assumed to be four years older than their spouses. The constant allowance pensions were valued based on a single life pension only since these pensions will stop on the death of a disabled person.

10.3 Claims Handling Provision

Part of the expenses that the Commission will be paying in future will be related to handling IBNR claims. A claims handling provision equal to 85% of the IBNR liability for the MSD fund was set up to cover future expenses. The claims handling provision for MSD fund is the same as used in the previous valuation.

10.3 Claims Handling Provision (continued)

The claims handling provision for the MSD fund was calculated as the ratio of expenses paid relative to claims paid in 2015 according to the actuarial valuation. Actuaries applied this ratio to the IBNR liabilities to arrive at an estimate of the claims handling provision. This ratio varied between 75% and 97% during the years 2016 to 2020. The actuaries, however decided to maintain the ratio at 85% for the current year.

10.4 Data Integrity

The IBNR liability and Pension liability as discussed above depend on the accuracy of the data provided. Actuaries left the data integrity provisions unchanged from the previous valuation for the fund at 10% of the IBNR liability.

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
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	2021	2020
	N\$'000	N\$'000
11. Trade and other payables		
Financial instruments		
Trade payables	6 363	3 184
Accrued expenses	1 463	1 094
Accrued leave pay	21 308	16 009
Accrued bonus	2 872	2 625
	<u>32 006</u>	<u>22 912</u>
Non-financial instruments		
Unclaimed monies	214	(1 025)
Unknown deposits	1 464	1 660
Amounts received in advance	88 574	76 689
Other payables	844	352
	<u>91 096</u>	<u>77 676</u>
Total	<u>123 102</u>	<u>100 588</u>
Categorization of trade and other payables		
At amortized cost	32 006	22 912
Non-financial instruments	91 096	77 675
	<u>123 102</u>	<u>100 587</u>

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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	2021	2020
	N\$'000	N\$'000
12. Revenue		
Contribution revenue	478 514	511 182
Contribution interest	3 885	3 232
	482 399	514 414
13. Claims		
Maternity leave	201 662	205 055
Sick leave	15 250	21 409
Death benefit	6 222	6 719
Retirement benefit	34 797	38 287
Data integrity provision	(966)	(635)
Claims handling provision	(8 209)	(5 396)
	248 756	265 439
14. Other income		
Rental income	1 299	1 393
Miscellaneous income	2 569	2 619
	3 868	4 012

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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15. Surplus before investment income

Surplus before investment income for the year is stated after accounting for the following:

	2021	2020
	N\$'000	N\$'000
Operating lease charges		
Premises		
Contractual amounts	7 368	4 822
For further detail on lease charges, refer to note 4.		
Loss on sale of property, plant and equipment	-	-
Amortization on intangible assets	3 357	3 357
Depreciation on property, plant and equipment	5 355	4 408
Impairment on intangible assets	338	-
Employee costs	197 627	176 684

16. Investment income

Interest income

Financial institutions	205 609	128 675
Funds under investment managers	8 625	6 641
	214 234	135 316

17. Auditors' remuneration

Fees	-	205
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MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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	2021	2020
	N\$'000	N\$'000
18. Cash generated from operations		
Surplus for the year	175 879	138 136
Adjustments for:		
Depreciation and amortization	8 885	7 770
Loss on sale of assets	-	17
Interest received	(214 234)	(135 316)
Impairment on intangible assets	338	-
Movements in Retirement benefit obligation	12 682	5 052
Movements in provisions	(21 091)	(8 956)
Other non-cash items	1	(2)
Changes in working capital:		
Trade and other receivables	4 401	1 120
Trade and other payables	22 514	(9 970)
	(10 625)	(2 149)

19. Retirement benefits

Defined benefit plan

Pension fund

The staff members are members of Government Institutions Pension Fund (GIPF), a defined benefit fund. The sponsors of the fund are various government related institutions that include the fund and these sponsors have an obligation to meet the shortfall if the fund's liabilities were to exceed the fund's assets.

There is not sufficient information available to enable the fund to account for the plan as a defined benefit plan due to the fact that the proportionate share applicable to the fund is not clearly identified. The plan is therefore accounted as if it is a defined contribution plan.

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

19. Retirement benefits (continued)

Defined benefit plan (continued)

Pension fund (continue)

The value of the assets of GIPF is valued by actuaries every third year. The latest valuation was done at 31 March 2018, and the valuator reported that the fund was in good financial position, and that the present rates of contributions were adequate to enable the fund to provide benefits to which members are entitled. With reported actuarial value of liabilities and reserves of N\$ 109.94 billion and assets of N\$ 110.20 billion, the funding level at valuation date was 100.70%.

The internal guideline of the GIPF is to target a funding level (after contingency reserves) of between 105% and 115% over time. The actuaries noted that as at current valuation date, the funding levels falls below this ideal range. This is attributed to the investments performance over the last 3 years which was low relative to the funding valuation interest rate of 12% p.a.

The method used to place value on the past services liabilities and the required future contribution rate is known as the project unit credit method based on actuarial valuations.

Post-retirement medical benefit

The benefit is a final post-employment medical benefit plan. The employer pays 75% or 100% of the medical premium towards the medical scheme when qualifying employees retire.

	2021	2020
	N\$'000	N\$'000
Carrying value		
Present value of the defined benefit obligation - wholly unfunded	(83 964)	(71 282)
Non-current liabilities	(83 065)	(70 547)
Current liabilities	(899)	(735)
	(83 964)	(71 282)
Movements for the year		
	(71 282)	(66 230)
Opening balance	(12 682)	(5 052)
Net expense recognized in profit and loss	(83 964)	(71 282)

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

19. Retirement benefits (continued)

Post-retirement medical benefit (continued)

	2021	2020
	N\$'000	N\$'000
Net expense recognized in profit and loss		
Past service cost	(5 472)	(4 960)
Interest Cost	(7 680)	(7 105)
Actuarial gains/(loss)	(204)	6 338
Contribution payments by employer	675	675
	(12 681)	(5 052)
Key assumptions used		
Assumptions used on the last valuation on 28 February 2021.		
Normal retirement age	60	60
Discount rate used	10.75%	9.97%
Medical aid contribution increase rate	8.98%	8.90%

Assumptions for demographics

The most important demographic assumptions are the mortality rate that applies after retirement and the withdrawal rate that applies before retirement. For mortality of the members the following mortality tables were used:

- Members before the age of retirement 100% SALT84-86 (2020: SA85-90).
- Continuation members (pensioners) PA (90) ultimate plus 0.5% improvement per annum (2020: PA (90) ultimate plus 0.5% improvement per annum).

For withdrawal rates before retirement, experiences in the general population and other large schemes were used.

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

19. Retirement benefits (continued)

Post-retirement medical benefit (continued)

Key assumptions used (continued)

Sensitivity analysis

The valuation above is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the Fund will be dependent on actual future levels of assumed variables. In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liability using the following assumptions:

- Real interest rate changes by 1% (real interest is the difference between the interest rate and the rate of increase in medical contribution)
- Assuming a change of 10% in the expected mortality.

We also tested the result if pre-retirement withdrawals are ignored.

Real interest rate

The real interest rate is the difference between the discount rate and the assumed increase in medical contribution rates. Changes in the real interest rate will result in the Fund paying more or less for the medical contribution, which will have an impact on the liability. We tested the effect of a 1% change in the real interest rate and the effect is as follows:

	2021	2020
	N\$'000	N\$'000
1% increase in the real interest rate	(68 574)	(56 568)
Valuation assumption	(83 964)	(71 282)
1% decrease in the real interest rate	(104 028)	(90 814)

Demographics

Changes in the demographics of the members will have an impact on the actual cost to the Fund. If a heavier mortality rate is experience it will reduce cost and less pre-retirement withdrawals will increase the cost of the scheme. We tested the effect of 10% change in mortality rates (2020: PA (90) with no adjustments and also when no pre-retirement withdrawals occurs) and the effect is as follows:

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

20. Commitments

	2021	2020
	N\$'000	N\$'000
Authorized capital expenditure		
Not yet contracted for but Authorized		
• Property, plant and equipment	101 848	163 115
• Intangible assets	62 652	70 265
	164 500	233 380

This committed expenditure relates to property, plant and equipment, intangible asset and investment property and will be financed by surplus funds, existing cash resources and funds internally generated.

21. Related parties

Relationships

Controlling organisation

Social Security Commission
Employees' Compensation Fund
Development Fund

Related funds

Accident Pension Fund
National Pension Fund
National Medical Benefit Fund
Dr. D.I. Uirab (Chairperson)

Commissioners

Ms. A. Titus
Mr. H. Bruwer
Ms. P.H. Masabane
Ms. B. C. Van der Westhuizen
Ms. E. Burger
Ms. N Shilongo
Ms. K. T. N. N. Sihlahla

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

21. Related parties (continued)

Related party balances

	2021	2020
	N\$'000	N\$'000
Loan accounts - Owing (to)/ by related parties		
Social Security Commission	(15 804)	(8 995)
Employees' Compensation Fund	(2 788)	(2 788)
Development Fund	(73)	(73)
Social Security Commission	31 262	24 362
Employees' Compensation Fund	2 506	1 783
Development Fund	71 443	-
Related party transactions		
Transfer of funds to related party		
Development Fund	150 000	50 996

22. Commissioners' emoluments

Emoluments of N\$ 1 038 (2020: N\$ 460) were paid to the commissioners during the year.

23. Risk management

Financial risk management

The primary objective in the investment of Commission's funds is to balance the safety needs, liquidity and return objectives of the Fund against the liability structure and the general objectives of each fund.

The investment portfolio shall be diversified to minimize the risk of loss resulting from concentration of assets in a specific maturity, specific issuer or a specific class of securities. Further diversification will be provided by employing more than one asset manager with relatively low correlation in their investment performance based on investment style.

The commissioners recognize that investment management is a long-term process and there will be fluctuations in the short-term. However, long-term objective will only be met if they are consistently achieved over a shorter period.

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

23. Risk management (continued)

Financial risk management (continued)

Real return (i.e. returns in excess of inflation) is required across the range of portfolios, which compensate adequately for the levels of risks inherent in the portfolio. The requirement for real returns shall not apply to the working capital portfolio.

Preservation of capital in real terms and absolute terms is an important consideration for the commission in the long-term.

Liquidity risk

Liquidity risk is the risk that the fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk arises when there is mismatching between the maturity of liabilities and assets.

The fund is exposed to daily calls on its available cash resources from claims. Liquidity is the risk that cash may not be available to pay obligations when due at a reasonable cost. The board sets limits on the minimum proportion of maturity funds available to meet such calls.

The fund actively manages its cash resources, split between short-term and long-term to ensure sufficient cash is at hand to settle claims liabilities, based on monthly float projections. The fund has significant liquid resources to cover its obligations.

At 28 February 2021	Held at fair value through profit or loss	Held at amortized cost	Financial liabilities at amortized cost
	N\$'000	N\$'000	N\$'000
Trade and other receivables	-	14 497	-
Investments	2 161 321	184 797	-
Cash and cash equivalents	12 208	-	-
Loans to other funds	-	86 546	-
Trade and other payables	-	-	(32 006)
Provisions	-	-	(70 646)
Retirement benefit obligation	-	-	(83 964)

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

23. Risk management (continued)

At 28 February 2020	Held at fair value through profit or loss N\$'000	Held at amortized cost N\$'000	Financial liabilities at amortized cost N\$'000
Trade and other receivables	-	21 312	-
Investments	2 331 831	35 285	-
Cash and cash equivalents	23 911	-	-
Loans to other funds	-	14 289	-
Trade and other payables	-	-	(22 912)
Provisions	-	-	(91 737)
Retirement benefit obligation	-	-	(71 282)

Interest rate risk

Interest rate risk arises primarily from the fund investments in fixed income securities, which are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored through several measures that include monitoring of returns and switching investments to take advantage of high returns in certain instruments.

An increase or decrease of 1% in the respective interest rates would result in the following changes in the fair value or amortized costs of these financial instruments.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate on cash and cash equivalents affected. The impact is as follows:

	2021 N\$'000	2020 N\$'000
Effect on surplus for the year		
Increase/ (decrease) of 1% in interest rates	12 716	12 587

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

23. Risk management (continued)

Cash flow interest rate risk

2021	Current interest rate	Due in less than a year	Due in more than two years
	%	N\$'000	N\$'000
Trade and other receivables - normal credit terms	15.00%	17 190	-
Funds held at fair value through profit or loss	5.47%	2 161 321	-
Loans to other funds	-%	86 546	-
Cash and cash equivalents	1.86%	12 208	-
Funds held at amortized cost	5.31%	184 797	-
Trade and other payables	-%	(32 006)	-
Provisions	-%	(66 923)	(3 723)
Retirement benefit obligation		(899)	(83 065)

2020	Current interest rate	Due in less than a year	Due in one to two years
	%	N\$'000	N\$'000
Trade and other receivables - normal credit terms	15.00%	21 312	-
Funds held at fair value through profit or loss	5.57%	2 331 831	-
Loans to other funds	-%	14 289	-
Cash and cash equivalents	1.86%	23 911	-
Funds held at amortized cost	7.31%	35 285	-
Trade and other payables	-%	(22 912)	-
Provisions	-%	(91 737)	(6 104)
Retirement benefit obligation		(735)	(70 547)

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

23. Risk management (continued)

Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

Key areas where the fund is exposed to credit risk are:

- accounts receivables
- investments and cash equivalents

Credit risk management

Trade and other receivables

The fund's maximum exposure to credit risk at the reporting date is the carrying value of financial assets disclosed in notes 7 and 8. The fund does not hold any collateral as security. Receivables are presented net of the provision for impairment losses.

Investments and cash and cash equivalents

The fund's cash and cash equivalents and investments are placed with high credit quality financial institutions. The fund has a policy of limiting the amount of credit exposure to any one financial institution. The maximum exposure at the reporting date is the carrying value of cash and cash equivalents disclosed in note 9 and the carrying value of investments in note 7.

The fund invests only with reputable financial institutions and the credit quality of financial assets is therefore good.

Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instruments are disclosed in note 1 to the financial statements. Refer to note 1 for additional details.

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

23. Risk management (continued)

Financial instruments (continued)

	2021	2020
	N\$'000	N\$'000
Financial assets		
Fair value through profit or loss	2 161 321	2 331 831
Funds held amortized cost	184 797	35 285
Loans from other funds	86 546	14 289
Trade and other receivables	14 497	21 312
Cash and cash equivalents	12 208	23 911
	2 459 369	2 426 628
Financial liabilities		
Trade and other payables	32 006	22 912
Retirement benefit obligation	83 964	71 282
Provisions	70 646	91 737
	186 616	185 931

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

23. Risk management (continued)

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in the interest rate and equity prices. Financial assets are disclosed in the following classes based on their similar characteristics:

Loans and receivables held for trading at fair value through profit and loss held to maturity

Market risk arises in the fund due to fluctuations in both the value of liabilities and value of investments held. Management has established a policy on market risk which sets out principles that the fund is expected to adopt in respect of management of the key market risks to which the fund is exposed. The board monitors adherence to this market risk policy and regularly reviews how management is managing these risks through the investment committee and audit and risk committee. For each of the major components of market risk, described in risk management note, the management has put in place additional policies and procedures to set out how risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

Price risk

The fund is subject to price risk due to the daily changes in the market values of its investments held by asset managers.

The fund's objective is to earn competitive relative returns by investing in a diverse portfolio of high quality, liquid securities. Portfolio characteristics are analyzed regularly and equity price risk is actively managed through a variety of modeling methods by asset managers. The fund's holdings are diversified across industries, and concentration in any one company or industry is limited by parameters established by asset managers and statutory requirements. The fund's exposure to movement in equities is 49% (2019: 44%) for domestic equities on the funds held by asset managers.

Equity price sensitivity analysis at 28 February 2021, the fund's listed equities were recorded at their fair value of N\$ 1 089 million (2020: N\$ 1 117 million). A hypothetical 10% decline or increase in each individual share price would decrease/increase the surplus for the year by N\$ 108.9 million (2020: N\$ 111.7 million).

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

24. Non-current asset held for sale

The fund has decided to dispose of the land situated on erf 8769 freedom square in the central business district of Windhoek

	<u>2021</u>	<u>2020</u>
	N\$'000	N\$'000
Cost of land	<u>65 567</u>	<u>65 567</u>

The decision was made by the commission to dispose of the land in the financial year ended 2017 due to the high cost of developing the property. The sale of the erf was delayed due to legal proceedings instigated against the SSC by the previous owner.

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Detailed Statement of Comprehensive Income

		2021	2020
	Note	N\$ '000	N\$ '000
Revenue			
Contributions		478 514	511 182
Contributions interest		3 885	3 232
	12	482 399	514 414
Direct expenses			
Claims	13	(248 756)	(265 439)
		233 643	248 975
Gross surplus			
Other income			
Rental income		1 299	1 393
Other income		2 569	2 619
Interest received	16	214 234	135 316
		218 102	139 328
Expenses (Refer to pages 82)		(275 866)	(250 167)
Operating profit		175 879	138 136
Surplus for the year		175 879	138 136

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Operating expenses	Note	2021 N\$'000	2020 N\$'000
Administration and consulting fees		(11 487)	(12 989)
Advertising		(976)	(923)
Auditors remuneration	17	-	(205)
Bad debts – loss allowances on trade receivables		(12 364)	(6 441)
Bank charges		(339)	(399)
Cleaning		(1 389)	(1 195)
Compliance awareness		-	(200)
Consulting and professional fees		(4 927)	(4 279)
Computer expenses		(534)	(305)
Corporate functions		(296)	(806)
Debt collection fees		(109)	(216)
Depreciation, amortization and impairments		(8 885)	(7 770)
Donations		(4 008)	(523)
Employee costs		(197 627)	(176 754)
Entertainment		(191)	(237)
General expenses		(18)	(131)
IT expenses		(445)	(392)
Impairment of intangible assets		(338)	-
Insurance		(581)	(550)
International conferences		(101)	(1 439)
Lease rentals on operating lease	4	(7 368)	(4 822)
Loss on disposal of assets		-	-
Motor vehicle expenses		(49)	(174)
Namibia Training Authority levies		(1 076)	(1 531)
Petrol and oil		(318)	(700)
Postage		(1 014)	(903)
Printing and stationery		(2 109)	(2 806)
Protective clothing		-	(10)
Recruitment expenses		(143)	(201)
Repairs and maintenance		(1 089)	(1 352)
Research and development		(111)	(1)
Royalties and license fees		(5 456)	(4 242)

MATERNITY LEAVE, SICK LEAVE AND DEATH BENEFIT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

		2021	2020
	Note	N\$'000	N\$'000
Operating expenses (continued)			
Security		(2 126)	(2 547)
Seminars		(47)	(703)
Staff welfare		(107)	(315)
Subscriptions		(415)	(495)
Sundry expenses		(7)	(21)
Telephone and fax		(4 390)	(3 849)
Training		(718)	(2 017)
Travel - local		(529)	(3 281)
Utilities		(4 179)	(4 443)
		(275 866)	(250 167)

EMPLOYEES' COMPENSATION FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

General Information

Country of incorporation and domicile

Namibia

Under the Employees' Compensation Act 5 of 1995, the SSC's principal purpose is to administer the Fund established by the aforementioned statute, namely the Employees' Compensation Fund (ECF).

Nature of business and principal activities

In administering the Fund, the SSC's principal operations include:
 (a) registering employers;
 (b) collecting and investing income;
 (c) assessing and paying claims and
 (d) providing benefits.

Registered office

Cnr. A. Kloppers & Haupt Streets
 Khomasdal
 Windhoek
 Namibia

Business address

Cnr. A. Kloppers & Haupt Streets
 Khomasdal
 Windhoek
 Namibia

Postal address

Private Bag 13223
 Windhoek
 Namibia

Bankers

Bank Windhoek

Auditors

Office of the Auditor-General

Secretary

Linda Dumba-Chicalu
 Dr. D.I. Uirab (Chairperson)
 Ms. A. Titus

Commissioners

Mr. H. Bruwer
 Ms. P.H. Masabane
 Ms. B. C. Van der Westhuizen
 Ms. E. Burger
 Ms. N. Shilongo
 Ms. K. T. N. N. Sihlahla

EMPLOYEES' COMPENSATION FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioners' Responsibilities and Approval

The commissioners are required in terms of the Social Security Act to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the fund as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The commissioners acknowledge that they are ultimately responsible for the system of internal financial control established by the fund and place considerable importance on maintaining a strong control environment. To enable the commissioners to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the fund and all employees are required to maintain the highest ethical standards in ensuring the fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the fund is on identifying, assessing, managing and monitoring all known forms of risk across the fund. While operating risk cannot be fully eliminated, the fund endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The commissioners are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The commissioners have reviewed the fund's cash flow forecast for the year to 28 February 2022 and, in the light of this review and the current financial position, they are satisfied that the fund has or has access to adequate resources to continue in operational existence for the foreseeable future.

EMPLOYEES' COMPENSATION FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioners' Responsibilities and Approval

The external auditors are responsible for independently reviewing and reporting on the fund's annual financial statements. The annual financial statements have been examined by the fund's external auditors and their report is presented on 1 to 3.

The annual financial statements set out on pages 120 to 156, which have been prepared on the going concern basis, were approved by the board on 24 February 2022 and were signed on its behalf by:

.....
Commissioner
Windhoek, 24 February 2022

.....
Commissioner

EMPLOYEES' COMPENSATION FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioner's Report

The commissioners submit their report for the year ended 28 February 2021. The amounts reflected in this report are rounded to thousand Namibia Dollar (N\$ '000).

1. Review of activities

Main business and operations

Under the Employees' Compensation Act 5 of 1995, the SSC's principal purpose is to administer the Fund established by the aforementioned statute, namely the Employees' Compensation Fund (ECF).

In administering the Fund, the SSC's principal operations include: (a) registering employers; (b) collecting and investing income; (c) assessing and paying claims and (d) providing benefits.

The operating results and state of affairs of the fund are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the fund was N\$ 181 415 (2020: N\$ 140 009).

2. Events after the reporting period

The commissioners are not aware of any circumstances, other than the one reported below, arising since the end of the financial year.

In terms of the pending litigation matter between the Commission and Freedom Square, the parties reached a settlement agreement on 13 October 2021, in terms whereof the SSC agreed to the withdrawal of action on condition that Freedom Square pays the Commission's wasted costs. This matter was settled and removed from the roll.

3. Going concern

The commissioners performed an assessment of whether the SSC and its associate Funds, is a going concern in the light of the prevailing COVID pandemic, the economic condition of the country and other information about future risks and uncertainties. The projections have been prepared considering, future benefit enhancements, revenue collections, and financial sustainability which includes inter alia liquidity and solvability for a period of 12 months.

EMPLOYEES' COMPENSATION FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioner's Report (continued)

3. Going concern (continued)

The areas of financial performance of the fund mostly affected are primary revenue, investment income and the credit quality of financial assets. Although it's difficult to predict the duration and extent of the pandemic and its impact on the economy, the projections show that the fund administered by the SSC have sufficient liquidity and solvency to continue operate in the foreseeable future. The commissioners are there for satisfied that the presentation of the annual financial statements on a going concern basis is appropriate.

4. Commissioners' interest in contracts

The commissioners did not have any interests in the contracts entered into by the fund during the year.

5. Non-current assets

There were additions to property, plant and equipment amounting to N\$ 1 847 (2020: N\$ 2 946) during the year under review.

There were additions to intangibles amounting to N\$ 920 (2020: N\$ 391) during the year under review.

EMPLOYEES' COMPENSATION FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioner's Report (continued)

6. Commissioners

The commissioners of the fund during the year and to the date of this report are as follows:

Name	Change
Ms. A. Titus	Re-appointed 1 April 2021
Mr. E.S. Maswahu	Term of office expired 31 March 2021
Ms. J. Jonas	Term of office expired 31 March 2021
Ms. T.V.P. Nauyoma	Term of office expired 31 March 2021
Ms. K. T. N. N. Sihlahla	Re-appointed 1 April 2021
Dr D.I. Uirab (Chairperson)	Re-appointed 1 April 2021
Mr. K. B. Black	Term of office expired 31 March 2021
Ms. P. H. Masabane (Deputy Chairperson)	Re-appointed 1 April 2021
Mr. N. Ntelamo	Term of office expired 31 March 2021
Ms. P. J. Olivier	Term of office expired 31 March 2021
Ms. B. C. Van der Westhuizen	Appointed 1 April 2021
Ms. E Burger	Appointed 1 April 2021
Ms. N. Shilongo	Appointed 1 April 2021

EMPLOYEES' COMPENSATION FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioner's Report (continued)

7. Secretary

The secretary of the fund is Linda Dumba-Chicalu of (Appointed 12 April 2021):

Business address

Cnr. A. Kloppers & Haupt Streets
Khomasdal
Windhoek
Namibia

Postal address

Private Bag 13223
Windhoek
Namibia

8. Auditors

The Auditor-General will continue in office in accordance with section 19 of the Social Security Act 34 of 1994.

EMPLOYEES' COMPENSATION FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Statement of Financial Position

	Note	2021 N\$ '000	2020 N\$ '000
Assets			
Non-Current Assets		56 696	55 785
Property, plant and equipment	3	54 406	53 685
Intangible assets	5	2 290	2 100
		1 462 678	1 293 589
Current Assets			
Loans to related funds	6	19 881	12 133
Investments and other financial assets	7	1 387 690	1 241 780
Trade and other receivables	8	32 799	30 130
Cash and cash equivalents	9	22 308	9 546
Non-current assets held for sale	24	12 956	12 956
Total Assets		1 532 330	1 362 330
Funds and Liabilities			
Funds			
Accumulated funds		1 238 711	1 057 296
Liabilities		108 133	105 302
Retirement benefit obligation		16 414	13 940
Provisions		91 719	91 362
Current Liabilities		185 486	199 733
Loans from group companies		9 652	7 330
Trade and other payables		140 970	148 314
Retirement benefit obligation		178	145
Provisions		34 686	43 944
Total Liabilities		293 619	305 035
Total Funds and Liabilities		1 532 330	1 362 331

EMPLOYEES' COMPENSATION FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Statement of Comprehensive Income

		2021	2020
	Note	N\$ '000	N\$ '000
Revenue	12	128 075	135 642
Claims	13	(12 972)	(17 996)
Gross surplus		115 103	117 646
Other income	14	8 453	1 835
Operating expenses		(59 144)	(59 273)
Surplus before investment income		64 412	60 208
Investment income	16	117 003	79 801
Surplus for the year		181 415	140 009
Other comprehensive income		-	-
Total comprehensive income		181 415	140 009

EMPLOYEES' COMPENSATION FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Statement of Changes in Funds

	Accumulated funds	Total funds
	N\$ '000	N\$ '000
Balance at 28 February 2019	917 283	917 283
Changes in funds		
Total comprehensive income for the year	140 009	140 009
	<hr/>	<hr/>
Total changes	140 009	140 009
	<hr/>	<hr/>
Balance at 29 February 2020	1 057 292	1 057 292
Changes in funds		
Total comprehensive income for the year	181 415	181 415
	<hr/>	<hr/>
Total changes	181 415	181 415
	<hr/>	<hr/>
Balance at 28 February 2021	1 238 711	1 238 711

EMPLOYEES' COMPENSATION FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Statement of Cash Flows

	Note	2021	2020
		N\$ '000	N\$ '000
Cash flows from operating activities			
Cash generated from operations	18	49 861	48 386
Interest income		117 003	79 801
Net cash from operating activities		166 864	128 187
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1 847)	(2 946)
Purchase of other intangible assets	5	(920)	(391)
Repayments of loans to related funds		(5 426)	1 975
Purchases of financial assets		(145 909)	(119 417)
Net cash from investing activities		(154 102)	(120 779)
Total cash movement for the year		12 762	7 408
Cash at the beginning of the year		9 546	2 138
Total cash at end of the year	9	22 308	9 546

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Social Security Act 34 of 1994. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out on pages 15-40. They are presented in Namibia Dollars.

2. New Standards and Interpretations

New standards and interpretations applicable to the Fund are reflected on page 40-42.

3. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Land	7 162	-	7 162	7 162	-	7 162
Buildings	45 775	(6 300)	39 475	44 149	(5 892)	38 257
Furniture and fixtures	2 499	(1 544)	955	2 498	(1 483)	1 015
Motor vehicles	3 319	(1 978)	1 341	3 319	(1 885)	1 434
Office equipment	2 817	(1 569)	1 248	2 759	(1 515)	1 244
Computer equipment	8 922	(4 830)	4 092	8 872	(4 353)	4 519
Leasehold improvements	523	(390)	133	410	(356)	54
Total	71 017	(16 611)	54 406	69 169	(15 484)	53 685

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2021

	Opening balance	Additions	Depreciation	Other movements	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Land	7 162	-	-	-	7 162
Buildings	38 257	1 625	(407)	-	39 475
Furniture and fixtures	1 015	-	(60)	-	955
Motor vehicles	1 434	-	(93)	-	1 341
Office equipment	1 244	58	(54)	-	1 248
Computer equipment	4 519	50	(477)	-	4 092
Leasehold improvements	54	114	(35)	-	133
	53 685	1 847	(1 126)	-	54 406

Reconciliation of property, plant and equipment – 2020

	Opening balance	Additions	Depreciation	Other movements	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Land	7 162	-	-	-	7 162
Buildings	38 569	76	(388)	-	38 257
Furniture and fixtures	968	108	(61)	-	1 015
Motor vehicles	1 535	-	(101)	-	1 434
Office equipment	1 158	135	(49)	-	1 244
Computer equipment	2 135	2 627	(243)	-	4 519
Leasehold improvements	81	-	(27)	-	54
	51 608	2 946	(869)	-	53 685

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

3. Property, plant and equipment (continued)

Land and buildings comprise of:

Erf 119 Grootfontein (1 329 square metres, registration division F3),
 Erf 120 Grootfontein (1 377 square metres with buildings thereon),
 Erf 858 Walvis Bay (1 250 square metres with buildings thereon),
 Erf 1589 Oshakati (3 515 square metres with buildings thereon),
 Erf 1983 Keetmanshoop (2 624 square metres with buildings thereon),
 Erf 1610 Keetmanshoop (1 184 square meters without improvements),
 Erf 1959 Otjiwarongo (1 081 square metres without improvements),
 Erf 1964 Otjiwarongo (1 393 square metres without improvements),
 Erf 1965 Otjiwarongo (1 310 square metres without improvements),
 Erf 2269 Windhoek Khomasdal (10 029 square metres, with buildings thereon),
 Erf 644 Luderitz (1 074 square metres, with buildings thereon),
 Erf 1372 Windhoek North (949 square metres, with buildings thereon) and
 Erf 8451 Windhoek North (2 168 square metres, with buildings thereon).

4. Leases (Commission as lessee)

The Commission has leases for buildings for office use across the country. All these leases are short-term leases, due to the termination clauses which give the Commission or the Landlord the right to cancel the lease agreement at any time during the lease period, provided the notice period is served. Lease agreements are generally entered into for an average period of 3 years. The Commission has elected not to recognise a lease liability for these short-term leases. Payments made under such leases are expenses on a straight line basis. The table below describes the lease activities of the Commission as recorded in the statement of comprehensive income:

Leased asset	Number of leases	Range of remaining term	Number of leases with extension options	Number of leases with termination options
Office building	9	1 to 20 months	9	9

Expenses on short term leases included in operating expenses N\$1 456 (2020: N\$972).

At 28 February 2021, the Commission was committed to short-term leases and the total commitment at this date was N\$ 693. (2020: N\$1 241)

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

4. Leases (Commission as lessee) (continued)

Matrix for lease commitments

	2021	2020
	N\$'000	N\$'000
Less than 1 year	54	114
After 1 year not more than 5 years	639	1 127
	693	1 241

5. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortization	Carrying value	Cost / Valuation	Accumulated amortization	Carrying value
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Software license	7 405	(5 115)	2 290	6 485	(4 385)	2 100

Reconciliation of intangible assets – 2021

	Opening balance	Additions	Amortization	Impairment	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Software License	2 100	920	(663)	(67)	2 290

Reconciliation of intangible assets – 2020

	Opening balance	Additions	Amortization	Impairment	Total
	N\$'000	N\$'000	N\$'000	N\$'000	N\$'000
Software License	2 373	391	(664)	-	2 100

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

	2021	2020
	N\$'000	N\$'000
6. Loans to/(from) related funds		
Related funds		
Maternity Leave, Sick Leave and Death Benefit Fund	2 789	2 789
Development Fund	534	534
Social Security Commission	16 558	8 810
Social Security Commission	(7 146)	(5 547)
Maternity Leave, Sick Leave and Death Benefit Fund	(2 506)	(1 783)
	10 229	4 803
Current assets	19 881	12 133
Current liabilities	(9 652)	(7 330)
	10 229	4 803

The above loans are interest free, unsecured and have no fixed terms of repayment. The associated funds have sufficient resources to settle the loans, hence the loss allowance for these loans was not considered.

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

	2021	2020
	N\$' 000	N\$' 000
7. Investments and other financial assets		
At fair value through profit or loss		
Funds held with approved investment managers	1 093 104	839 037
Funds held with investment managers are fairly valued by the respective investment manager at year end.		
At amortized cost		
Fixed term deposits	367 423	483 090
Fixed term deposits are held with the financial institutions. The average investment period is 0 to 53 months from the statement of financial position date and interest rates are between 3% and 7.75% per annum. The carrying amounts approximate the fair value.		
Loss allowance on investments at amortized cost	(72 837)	(80 347)
Total investments at amortized cost	294 586	402 743
Total investments and other financial assets	1 387 690	1 241 780
Current assets		
At fair value through profit or loss	1 093 104	839 037
Held at amortized cost	294 586	402 743
	1 387 690	1 241 780

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

7. Investments and other financial assets (continued)

Fair value information

The fair value of listed or quoted investments are based on quoted market price. Fair value is determined annually at statement of financial position date.

Fair value hierarchy of financial assets at fair value through profit or loss

For financial assets recognized at fair value disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

	2021	2020
	N\$' 000	N\$' 000
Level 1		
Financial assets held at fair value through profit or loss	1 093 104	839 037

Credit risk

Management considered the credit risk of the investments at amortized cost, and which are neither past due nor impaired at reporting date and subsequently and is of opinion that the risk did not increase significantly since the date at which the investment was initially made. Except for the investments which were impaired, none of the other investments are past due.

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

	2021	2020
	N\$' 000	N\$' 000
8. Trade and other receivables		
Financial instruments		
Trade receivables	96 831	90 281
Other receivables	2 870	2 134
Loss allowances	(89 010)	(83 272)
	<u>10 691</u>	<u>9 143</u>
Non-financial instruments		
Debtors with credit balances	<u>22 108</u>	<u>20 987</u>
	<u>32 799</u>	<u>30 130</u>
At amortized cost	10 691	9 143
Non-financial instruments	<u>22 108</u>	<u>20 987</u>
	<u>32 799</u>	<u>30 130</u>

Exposure to credit risk

Trade receivables inherently expose the Fund to credit risk, being the risk that the Fund will incur financial loss if customers fail to make payments as they fall due.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

Trade receivables arise from assessment income returns received from employers. The customer base is large and widespread, with a result that there is no specific significant concentration of credit risk from these trade receivables.

The average credit period on trade receivables is 30 days (2020: 30 days). No interest is charged on outstanding trade receivables for the first 30 days from date of invoicing. Thereafter, interest is charged on the trade receivables at the rate of 10% per annum for assessments income debtors. The estimation techniques explained have been applied for the first time in the previous financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

8. Trade and other receivables (continued)

Exposure to credit risk (continue)

The Fund's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

	2021	2021	2020	2020
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
	N\$' 000	N\$' 000	N\$' 000	N\$' 000
Not past due: 3% (2020: 2%)	6 360	(104)	6 350	(191)
31 - 60 days past due: 8% (2020: 2%)	1 143	(25)	1 143	(91)
61 - 90 days past due: 14% (2020: 4%)	2 539	(105)	1 800	(252)
91 - 365 days past due: 23% (2020: 6%)	24 022	(1 441)	17 339	(3 988)
More than 365 days past due: 100% (2020: 100%)	87 333	(87 334)	78 750	(78 750)
Total	121 397	(89 009)	105 382	(83 272)

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

8. Trade and other receivables (continued)

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

	2021	2020
	N\$' 000	N\$'000
Opening balance	(83 272)	(73 220)
Re-measurement of loss allowance	(5 738)	(10 052)
Closing balance	(89 010)	(83 272)

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	22 308	9 546
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The average interest rates are between 0% to 2.75%.
The carrying amount approximates the fair value.

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

10. Provisions

Reconciliation of provisions – 2021

	Opening balance	Movement	Total
	N\$'000	N\$'000	N\$'000
Incurring but not reported compensation claims (IBNR)	134 743	(9 183)	125 560
Merit rebates	563	282	845
	135 306	8 901	126 405

Reconciliation of provisions – 2020

	Opening balance	Movement	Total
	N\$'000	N\$'000	N\$'000
Incurring but not reported compensation claims (IBNR)	146 903	12 160	134 743
Merit rebates	1 126	(563)	563
	148 029	11 597	135 306

	2021	2020
	N\$'000	N\$'000
Non-current liabilities	91 719	91 362
Current liabilities	34 686	43 944
	126 405	135 306

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

10. Provisions (continued)

	2021	2020
	N\$'000	N\$'000
Fair value determination of the IBNR compensation claims		
Medical claims	6 031	10 137
Permanent disability	1 020	1 360
Temporary disability	1 957	1 752
Burial and transport expenses	172	181
Pension liability	92 512	86 395
Claims handling provision	22 950	33 575
Data integrity provision	918	1 343
	125 560	134 743

10.1 IBNR

The incurred but not reported claims represent the management estimate as at 28 February 2021 based on actuarial valuation at that date.

The incurred but not reported claims were determined based on basic chain ladder method. The method involves the following:

The runoff claims for the Employees' Compensation Fund have been grouped into the following subgroups:

- (i) Burial and transport
- (ii) Medical claims
- (iii) Permanent disability
- (iv) Temporary disability

Runoff triangles for each of these subgroups were performed by grouping the data by accident year and payment year. Development factors based on the accumulated claims paid after each period in respect of claims from same year of accident were used. These development factors were used to project the expected claims during each future period. By using the chain ladder method, the following assumptions were made:

- (i) The claims development factors will remain stable
- (ii) Past claims experience is a suitable guide to future claims experience

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

10. Provisions (continue)

10.2 Pension liability

The pension liability is the present value of all future expected pension payments calculated by discounting the current pension being paid by a net discount rate and allowing for mortality. The following assumptions were made to value the pension liability:

10.2.1 Post retirement rate of interest

In order to make some allowance for increasing pensions in the future, the interest rate adopted in the valuation calculations was 3% p.a. in respect of the period after each member's retirement. The fund does not have a formal pension increase policy, but pensions are increased from time to time on an ad hoc basis.

The effect of this measure is that if in a particular year, for example, the fund earns 10% on its investments then the fund can grant a 6.7% $(1.10/1.03-1)$ increase in pension's payable from the fund without any financial constraints on it.

10.2.2. Mortality

Mortality for those in receipt of pension payments was assumed to be in line with the PA (90) mortality table. Disabled members were assumed to experience higher mortality equal to that for a life aged 15 years older. Child mortality was ignored until age 18.

10.2.3. Spouse

All disabled pensioners were assumed to have spouse to whom a 50% reversionary pension is paid. Male pensioners were assumed to be four years older than their spouses. The constant allowance pensions were valued based on a single life pension only since these pensions will stop on the death of a disabled person.

10.3 Claims handling provision

Part of the expenses that the Commission will be paying in future will be related to handling IBNR claims. A claims handling provision equal to 250% of the IBNR liability for ECF fund was set up to cover future expenses. The claims handling provision for the EC funds are the same as used in the previous valuation. For the EC fund, the ratio of expenses to claims has shown an increasing trend from 182.65% in 2018 to 272.1% in 2020, with a decline in to 217.87% in 2021. Actuaries proposed that the ratio of 250% used in the previous valuation be maintained.

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

10. Provisions (continue)

10.4 Data integrity provision

The IBNR liability and Pension liability as discussed above depend on the accuracy of the data provided. Actuaries left the data integrity provisions unchanged from the previous valuation for the fund at 10% of the IBNR liability. This assumption will be monitored and updated when the next statutory actuarial valuation is performed. Given that the data has improved significantly over the last years.

11. Trade and other payables

Financial instruments

	2021 NS'000	2020 NS'000
Trade payables	2 733	2 228
Accrued leave pay	4 211	3 163
Accrued bonus	567	519
Accruals	792	595
	<u>8 303</u>	<u>6 505</u>

Non-Financial instruments

Unclaimed money	51	73
Customers with credit balances	22 108	20 987
Unknown deposits	576	1 006
Revenue received in advance	109 932	119 743
	<u>132 667</u>	<u>141 809</u>
Total	<u>140 970</u>	<u>148 314</u>

Categorization of trade and other payables

At amortized cost	8 303	6 505
Non-financial instruments	132 667	141 809
	<u>140 970</u>	<u>148 314</u>

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

	2021	2020
	N\$'000	N\$'000
12. Revenue		
Assessment income	112 774	115 683
Assessment interest	5 448	6 027
Pension capitalized - Accident Pension Fund	3 253	6 224
Assessment penalties	2 428	2 020
Administrative fee income - Accident Pension Fund	4 172	5 688
	128 075	135 642
13. Claims		
Compensation payments	2 848	3 571
Medical expenses	5 174	6 019
Merit rebates	282	258
Capital pension paid - APF	3 253	6 224
Pension paid – APF	12 465	2 990
Data provision	(425)	(292)
Claim handling provision	(10 625)	(774)
	12 972	17 996
14. Other income		
Rental income	245	275
Other income	8 208	1 560
	8 453	1 835

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

	2021	2020
	N\$'000	N\$'000
15. Surplus before investment income		
Surplus before investment income for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
Contractual amounts	1 456	972
For further detail on lease charges, refer to note 4.		
Amortization on intangible assets	663	664
Depreciation on property, plant and equipment	1 128	869
Impairment on intangible assets	67	-
Employee costs	39 040	34 911
16. Investment income		
Interest income		
Funds under investment managers	94 456	48 417
Fixed term deposits	22 547	31 384
	117 003	79 801
17. Auditors' remuneration		
Fees	-	41

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

	2021	2020
	N\$'000	N\$'000
18. Cash generated from operations		
	181 415	140 009
Surplus for the year		
Adjustments for:		
Depreciation and Amortization	1 791	1 533
Interest received	(117 003)	(79 801)
Impairment of intangible assets	67	-
Adjustment on adoption of IFRS9	-	-
Movements in provision for post-retirement medical aid obligation	2 506	998
Movements in provisions	(8 901)	(12 723)
Non-cash items	7	
Changes in working capital:		
Trade and other receivables	(2 669)	(5 448)
Trade and other payables	(7 352)	3 818
	49 861	48 386

19. Commitments

Authorized capital expenditure

Not yet contracted for but authorized

ÿ Property, plant and equipment	20 125	32 233
ÿ Intangible assets	12 380	13 885
	32 505	46 118

This committed expenditure relates to property and will be financed by retained profits, existing cash resources and funds internally generated.

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

20. Related parties

Relationships

Administrator

Social Security Commission

Related funds

Development Fund

Maternity Leave, Sick Leave and Death Benefit Fund

National Pension Fund

National Medical Benefit Fund

Accident Pension Fund

Commissioners

Dr. D.I. Uirab (Chairperson)

Ms. A. Titus

Mr. H. Bruwer

Ms. P.H. Masabane

Ms. B. C. Van der Westhuizen

Mr. E. Burger

Ms. N Shilongo

Ms. K. T. N. N. Sihlahla

	2021	2020
	N\$'000	N\$'000
Related party balances		
Loan accounts - Owing to related parties		
Social Security Commission	7 146	5 547
Maternity Leave, Sick Leave and Death Benefit Fund	2 506	1 783
	<hr/>	<hr/>
Loan accounts - Owing by related parties		
Social Security Commission	16 558	8 810
Maternity Leave, Sick Leave and Death Benefit Fund	2 789	2 789
Development Fund	534	534
	<hr/>	<hr/>

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

21. Commissioners' emoluments

Emoluments of N\$ 205 (2020: N\$ 91) were paid to the commissioners during the year.

22. Retirement benefits

Defined benefit plan

Pension fund

The staff members are members of Government Institutions Pension fund (GIPF), a defined benefit fund. The sponsors of the fund are various government related institutions that include the fund and these sponsors have an obligation to meet the shortfall if the fund's liabilities were to exceed the fund's assets.

There is not sufficient information available to enable the fund to account for the plan as a defined benefit plan due to the fact that the proportionate share applicable to the fund is not clearly identified. The plan is therefore accounted as if it is a defined contribution plan.

The value of the assets of GIPF is valued by actuaries every third year. The latest valuation was done at 31 March 2018, and the valuator reported that the fund was in good financial position, and that the present rates of contributions were adequate to enable the fund to provide benefits to which members are entitled. With reported actuarial value of liabilities and reserves of N\$ 109.94 billion and assets of N\$ 110.20 billion, the funding level at valuation date was 100.70%.

The internal guideline of the GIPF is to target a funding level (after contingency reserves) of between 105% and 115% over time. The actuaries noted that as at current valuation date, the funding levels falls below this ideal range. This is attributed to the investments performance over the last 3 years which was low relative to the funding valuation interest rate of 12% p.a.

The method used to place value on the past services liabilities and the required future contribution rate is known as the project unit credit method based on actuarial valuations.

Post-retirement medical benefit

The benefit is a final post-employment medical benefit plan. The employer pays 75% or 100% of the medical premium towards the medical scheme when qualifying employees retire.

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

22. Retirement benefits (continued)

Post-retirement medical benefit (continued)

	2021	2020
	N\$'000	N\$'000
Carrying value		
Present value of the defined benefit obligation - wholly unfunded	(14 085)	(14 085)
Non-current liabilities	(16 414)	(13 940)
Current liabilities	(178)	(145)
	(16 592)	(14 085)
Movements for the year		
Opening balance	(14 085)	(13 087)
Net expense recognized in profit and loss	(2 507)	(998)
	(16 592)	(14 085)
Net expense recognized in profit and loss		
Past service cost	(1 081)	(979)
Interest Cost	(1 518)	(1 404)
Actuarial gain/(loss)	(40)	1 252
Contribution by employer	132	133
	(2 507)	(998)
Key assumptions used		
Assumptions used on the last valuation on 28 February 2021.		
Normal retirement age	60	60
Discount rate used	10.75%	9.97%
Medical aid contribution increase rate	8.98%	8.90%

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

22. Retirement benefits (continued)

Assumptions for demographics

The most important demographic assumptions are the mortality rate that applies after retirement and the withdrawal rate that applies before retirement. For mortality of the members the following mortality tables were used:

- Members before the age of retirement 100% SALT84-86 (2020: SALT85-90).
- Continuation members (pensioners) PA(90) ultimate plus 0.5% improvement per annum (2020: PA(90) ultimate plus 0.5% improvement per annum).

For withdrawal rates before retirement, experiences in the general population and other large schemes were used.

Sensitivity analysis

The valuation above is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the Fund will be dependent on actual future levels of assumed variables. In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liability using the following assumptions:

- Real interest rate changes by 1% (real interest is the difference between the interest rate and the rate of increase in medical contribution)
- Assuming a change of 10% in the expected mortality.

We also tested the result if pre-retirement withdrawals are ignored.

Real interest rate

The real interest rate is the difference between the discount rate and the assumed increase in medical contribution rates. Changes in the real interest rate will result in the Fund paying more or less for the medical contribution, which will have an impact on the liability. We tested the effect of a 1% change in the real interest rate and the effect is as follows:

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

22. Retirement benefits (continued)

Key assumptions used (continued)

	2021	2020
	N\$'000	N\$'000
1% increase in the real interest rate	(13 550)	(11 177)
Valuation assumption	(16 592)	(14 085)
1% decrease in the real interest rate	(20 556)	(17 945)

Demographics

Changes in the demographics of the members will have an impact on the actual cost to the Fund. If a heavier mortality rate is experience it will reduce cost and less pre-retirement withdrawals will increase the cost of the scheme. We tested the effect of a 10% change in mortality rates and the effect is as follows:

10% Higher mortality rate	(15 820)	(13 372)
Valuation assumption	(16 592)	(14 085)
10% Lower mortality rate	(17 453)	(14 887)

23. Risk management

Financial risk management

The primary objective in the investment of Commission's Fund is to balance the safety needs, liquidity and return objectives of the Fund against the liability structure and the general objectives of each fund.

The investment portfolio shall be diversified to minimize the risk of loss resulting from concentration of assets in a specific maturity, specific issuer or a specific class of securities. Further diversification will be provided by employing more than one asset manager with relatively low correlation in their investment performance based on investment style.

The commissioners recognize that investment management is a long-term process and there will be fluctuations in the short-term. However, long-term objective will only be met if they are consistently achieved over a shorter period.

Real return (i.e. returns in excess of inflation) is required across the range of portfolios, which compensate adequately for the levels of risks inherent in the portfolio. The requirement for real returns shall not apply to the working capital portfolio.

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

23. Risk management (continued)

Financial risk management (continued)

Preservation of capital in real terms and absolute terms is an important consideration for the commission in the long-term.

Liquidity risk

Liquidity risk is the risk that the fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk arises when there is mismatching between the maturity of liabilities and assets.

The Fund is exposed to daily calls on its available cash resources from claims. Liquidity is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Board sets limits on the minimum proportion of maturity funds available to meet such calls.

The Fund actively manages its cash resources, split between short-term and long-term to ensure sufficient cash is at hand to settle claims liabilities, based on monthly float projections. The Fund has significant liquid resources to cover its obligations.

At 28 February 2021	Held at fair value through profit or loss	Financial liabilities amortized at cost	Financial assets held at amortized cost
	N\$'000	N\$'000	N\$'000
Investments	1 093 104	-	294 586
Trade and other receivables	-	-	10 691
Trade and other payables	-	(8 308)	-
Loans to related funds	-	-	10 229
Cash and cash equivalents	22 308	-	-
Provisions	-	(126 405)	-
Retirement benefit obligation	-	(16 592)	-

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

23. Risk management (continued)

Liquidity risk (continued)

At 28 February 2020	Held at fair value through profit or loss	Financial liabilities amortized at cost	Financial assets held at amortized cost
	N\$'000	N\$'000	N\$'000
Investments	839 037	-	402 743
Trade and other receivables	-	-	9 143
Trade and other payables	-	(6 505)	-
Loans to related funds	-	-	4 803
Cash and cash equivalents	9 546	-	-
Provisions	-	(135 306)	-
Retirement benefit obligation	-	(14 085)	-

Interest rate risk

Interest rate risk arises primarily from the fund investments in fixed income securities, which are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored through several measures that include monitoring of returns and switching investments to take advantage of high returns in certain instruments.

An increase or decrease of 1% in the respective interest rates would result in the following changes in the fair value or amortized costs of these financial instruments.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate on cash and cash equivalents affected. The impact is as follows:

	2021	2020
	N\$'000	N\$'000
Effect on surplus before tax		
Increase / (decrease) of 1% in interest rates	7 270	7 067

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

23. Risk management (continued)

Cash flow interest rate risk

2021	Current interest rate	Due in less than a year	Due in more than two years
	%	N\$'000	N\$'000
Trade and other receivables	10.00%	10 691	-
Funds held at fair value through profit or loss	5.57%	1 093 104	-
Funds held at amortized cost	4.03%	294 586	-
Loans to other funds	-%	10 229	-
Cash and cash equivalents	2.75%	22 308	-
Provisions	-%	(34 686)	(91 719)
Retirement benefit obligation	-%	(178)	(16 414)
Trade and other payables	-%	(8 308)	-

2020	Current interest rate	Due in less than a year	Due in one to two years
	%	N\$'000	N\$'000
Trade and other receivables	10.00%	9 143	-
Funds held at fair value through profit or loss	5.47%	839 037	-
Funds held at amortized cost	7.31%	402 743	-
Loans to other funds	-%	4 803	-
Cash and cash equivalents	3.25%	9 546	-
Provisions	-%	(43 944)	(91 362)
Retirement benefit obligation	-%	(145)	(13 940)
Trade and other payables	-%	(6 505)	-

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

23. Risk management (continued)

Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

Key areas where the Fund is exposed to credit risk are:

- accounts receivables
- investments and cash equivalents.

Trade and other receivables

The Fund's maximum exposure to credit risk at the reporting date is the carrying value of financial assets disclosed in notes 7 and 8. The fund does not hold any collateral as security. Receivables are presented net of the provision for impairment losses.

Investments and cash and cash equivalents

The Fund's cash and cash equivalents and investments are placed with high credit quality financial institutions. The Fund has a policy of limiting the amount of credit exposure to any one financial institution. The maximum exposure at the reporting date is the carrying value of cash and cash equivalents disclosed in note 9 and the carrying value of investments in note 7. The Fund deposits only with reputable financial institutions and the credit quality of financial assets are therefore good.

Financial Instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instruments are disclosed in note 1 to the financial statements. Refer to note 1 for additional details.

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

23. Risk management (continued)

Financial Instruments (continued)

	2021	2020
	N\$'000	N\$'000
Financial assets		
Funds held through profit or loss	1 093 104	839 037
Funds held at amortized cost	294 586	402 743
Loans to related funds	10 229	4 803
Trade and other receivables	10 691	9 143
Cash and cash equivalents	22 308	9 546
	1 430 918	1 265 272
Financial liabilities		
Provisions	126 405	135 306
Trade and other payables	8 303	6 505
Retirement benefit obligation	16 592	14 085
	151 300	155 896

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in the interest rate and equity prices. Financial assets are disclosed in the following classes based on their similar characteristics:

Loans and receivables

Held for trading at fair value through profit and loss held to maturity market risk arises in the Fund due to fluctuations in both the value of liabilities and value of investments held.

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

23. Risk management (continued)

Market risk (continued)

Management has established a policy on market risk which sets out principles that the Fund is expected to adopt in respect of management of the key market risks to which the Fund is exposed. The board monitors adherence to this market risk policy and regularly reviews how management is managing these risks through the investment committee and audit and risk committee. For each of the major components of market risk, described in risk management note, the management has put in place additional policies and procedures to set out how risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

Price risk

The Fund is subject to price risk due to the daily changes in the market values of its investments held by asset managers.

The Fund's objective is to earn competitive relative returns by investing in a diverse portfolio of high quality, liquid securities. Portfolio characteristics are analyzed regularly and equity price risk is actively managed through a variety of modeling methods by asset managers. The fund's holdings are diversified across industries, and concentration in any one fund or industry is limited by parameters established by asset managers and statutory requirements. The fund's exposure to movement in equities is 50% (2020: 40%) for domestic equities on the funds held by asset managers.

Equity price sensitivity analyses

As at 28 February 2021, the fund's listed equities were recorded at their fair value of N\$ 733.5 million (2020: N\$ 520.9 million). A hypothetical 10% decline or increase in each individual share price would decrease/increase the surplus for the year by N\$ 73.4 million (2020: N\$ 52.1 million).

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

24. Non-current asset held for sale

The fund has decided to dispose of the land situated on Erf 8769 freedom square in the central business district of Windhoek.

	2021	2020
	N\$'000	N\$'000
Cost of the land	12 956	12 956

The decision was made by the commission to dispose of the land in the financial year ended 2017 due to the high cost of developing the property. The sale of the erf was delayed due to legal proceedings instigated against the SSC by the previous owner.

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

Detailed Statement of Comprehensive Income

		2021	2020
	Note	N\$ '000	N\$ '000
Revenue			
Assessment income		112 774	115 683
Assessment interest		5 448	6 027
Pension capitalized - Accident Pension Fund		3 253	6 224
Assessment penalties		2 428	2 020
Administrative fee income - Accident Pension Fund		4 172	5 688
	12	128 075	135 642
Direct expenses			
Claims	13	(12 972)	(17 996)
		115 103	117 646
Gross surplus			
Other income			
Rental income		245	275
Other income		8 208	1 560
Interest received	16	117 003	79 801
		125 456	81 636
Expenses (Refer to page 125)		(59 144)	(59 273)
Operating profit		181 415	140 009
Surplus for the year		181 415	140 009

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

		2021	2020
	Note	N\$'000	N\$'000
Operating expenses			
Administration fees on investments		(3 596)	(3 414)
Advertising		(193)	(182)
Auditors remuneration	17	-	(41)
Bad debts – loss allowances on trade receivables		(5 738)	(10 053)
Bank charges		(246)	(278)
Cleaning		(275)	(236)
Computer expenses		(106)	(60)
Compliance and benefit awareness		-	(40)
Consulting and professional fees		(936)	(678)
Corporate function		(58)	(159)
Debt collection		(22)	(43)
Depreciation Amortization and impairments		(1 791)	(1 531)
Donations		(792)	(103)
Employee costs		(39 040)	(34 925)
Entertainment		(38)	(47)
General Expense		(3)	-
IT expenses		(88)	(78)
Insurance		(115)	(109)
International conference		(20)	(284)
Impairment of Intangible		(67)	-
Lease rentals on operating lease	4	(1 456)	(972)
Motor vehicle expenses		(30)	(34)
Petrol and oil		(63)	(139)
Postage		(7)	(178)
Printing and stationery		(417)	(554)
Recruitment expenses		(28)	(40)
Repairs and maintenance		(195)	(267)
Research costs		(22)	-
Royalties and license fees		(1 078)	(838)
Security		(420)	(503)
Seminars		(9)	(139)
Staff welfare		(3)	(44)

EMPLOYEES' COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

		2021	2020
Operating expenses (continued)	Note	N\$'000	N\$'000
Subscriptions		(82)	(98)
Sundry expenses		(1)	(32)
Strategic business planning cost		(39)	(169)
Telephone and fax		(867)	(761)
Training		(373)	(719)
Travel - local		(104)	(648)
Utilities		(826)	(877)
		(59 144)	(59 273)

DEVELOPMENT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

General Information

Country of incorporation and domicile	Namibia
Nature of business and principal activities	<p>Under the Social Security Act 34 of 1994, the SSC's principal purpose is to administer the Fund namely the Development Fund (DF).</p> <p>In administering the Fund, the SSC's principal operations include providing training and employment schemes; and providing financial aid to students.</p>
Commissioners	<p>Dr. D.I. Uirab (Chairperson)</p> <p>Ms. A. Titus</p> <p>Mr. H. Bruwer</p> <p>Ms. P.H. Masabane</p> <p>Ms. B. C. Van der Westhuizen</p> <p>Ms. E. Burger</p> <p>Ms. N Shilongo</p> <p>Ms. K.T. N. N. Sihlahla</p>
Registered office	<p>Cnr. A. Kloppers & Haupt Streets</p> <p>Khomasdal</p> <p>Windhoek</p> <p>Namibia</p>
Business address	<p>Cnr. A. Kloppers & Haupt Streets</p> <p>Khomasdal</p> <p>Windhoek</p> <p>Namibia</p>
Postal address	<p>Private Bag 13223</p> <p>Windhoek</p> <p>Namibia</p>
Bankers	Bank Windhoek
Auditors	Office of the Auditor-General
Secretary	Linda Dumba-Chicalu

DEVELOPMENT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioners' Responsibilities and Approval

The commissioners are required in terms of the Social Security Act 34 of 1994 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the fund as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The commissioners acknowledge that they are ultimately responsible for the system of internal financial control established by the fund and place considerable importance on maintaining a strong control environment. To enable the commissioners to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the fund and all employees are required to maintain the highest ethical standards in ensuring the fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the fund is on identifying, assessing, managing and monitoring all known forms of risk across the fund. While operating risk cannot be fully eliminated, the fund endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The commissioners are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The commissioners have reviewed the fund's cash flow forecast for the year to 28 February 2022 and, in the light of this review and the current financial position, they are satisfied that the fund has or has access to adequate resources to continue in operational existence for the foreseeable future.

DEVELOPMENT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioners' Responsibilities and Approval (continued)

The external auditors are responsible for independently reviewing and reporting on the fund's annual financial statements. The annual financial statements have been examined by the fund's external auditors and their report is presented on pages 1 to 3.

The annual financial statements set out on pages 163 to 186, which have been prepared on the going concern basis, were approved by the board on 24 February 2022 and were signed on its behalf by:

.....
Commissioner

.....
Commissioner

Windhoek, 24 February 2022

DEVELOPMENT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioner's Report

The commissioners submit their report for the year ended 28 February 2021. The amounts reflected in this report are rounded to thousand Namibia Dollar (N\$ '000).

1. Review of activities

Main business and operations

Under the Social Security Act 34 of 1994, the SSC's principal purpose is to administer the Fund namely the Development Fund (DF).

In administering the Fund, the SSC's principal operations include providing training and employment schemes; and providing financial aid to students.

The operating results and state of affairs of the fund are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus/deficit of the fund was N\$ 56 146 (2020: N\$ 31 311).

2. Events after the reporting period

The commissioners are not aware of any circumstances, other than the one reported below, arising since the end of the financial year.

In terms of the pending litigation matter between the Commission and Freedom Square, the parties reached a settlement agreement on 13 October 2021, in terms whereof the SSC agreed to the withdrawal of action on condition that Freedom Square pays the Commission's wasted costs. This matter was settled and removed from the roll.

3. Going concern

The commissioners performed an assessment of whether the SSC and its associate Funds, is a going concern in the light of the prevailing COVID pandemic, the economic condition of the country and other information about future risks and uncertainties. The projections have been prepared considering, future benefit enhancements, revenue collections, and financial sustainability which includes inter alia liquidity and solvability for a period of 12 months.

The areas of financial performance of the fund mostly affected are primary revenue, investment income and the credit quality of financial assets. Although it's difficult to predict the duration and extent of the pandemic and its impact on the economy, the projections show that the fund administered by the SSC have sufficient liquidity and solvency to continue operate in the foreseeable future. The commissioners are therefore satisfied that the presentation of the annual financial statements on a going concern basis is appropriate.

DEVELOPMENT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioner's Report (continued)

4. Commissioners' interest in contracts

The commissioners did not have any interests in contracts entered into by the fund during the year.

5. Non-current assets

There were additions to property, plant and equipment amounting to N\$ 61 (2020: N\$ Nil) during the year under review.

6. Commissioners

The commissioners of the fund during the year and to the date of this report are as follows:

Name	Change
Ms. A. Titus	Re-appointed 1 April 2021
Mr. E.S. Maswahu	Term of office expired 31 March 2021
Ms. J. Jonas	Term of office expired 31 March 2021
Ms. T.V.P. Nauyoma	Term of office expired 31 March 2021
Dr D.I. Uirab (Chairperson)	Re-appointed 1 April 2021
Mr. K. B. Black	Term of office expired 31 March 2021
Ms. P. H. Masabane (Deputy Chairperson)	Re-appointed 1 April 2021
Mr. N. Ntelamo	Term of office expired 31 March 2021
Ms. K. T. N. N. Sihlahla	Re-appointed 1 April 2021
Ms. E. Burger	Appointed 1 April 2021
Ms. B. C. Van der Westhuizen	Appointed 1 April 2021
Mr. H. Bruwer	Appointed 1 April 2021
Ms. N. Shilongo	Appointed 1 April 2021
Ms. P. J. Olivier	Term of office expired 31 March 2021

DEVELOPMENT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioner's Report (continued)

7. Secretary

The secretary of the Social Security Commission is Linda Dumba-Chicalu of (Appointed 12 April 2021):

Business address	Cnr. A. Kloppers & Haupt Streets Khomasdal Windhoek Namibia
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Postal address	Private Bag 13223 Windhoek Namibia
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8. Auditors

The Auditor-General will continue in office in accordance with section 19 of the Social Security Act 34 of 1994.

DEVELOPMENT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Statement of Financial Position

	Note	2021	2020
		N\$ '000	N\$ '000
Assets			
Non-Current Assets			
Property, plant and equipment	3	652	763
		516 804	308 110
Current Assets			
Loans to related funds	4	2 662	644
Investments and other financial assets	5	345 788	307 434
Trade and other receivables	6	83	21
Cash and cash equivalents	7	168 271	11
Total Assets		517 456	308 873
Funds and Liabilities			
Funds			
Accumulated funds		333 997	277 851
Liabilities			
Non-Current Liabilities			
Retirement benefit obligation	14	2 396	2 035
		181 063	28 987
Current Liabilities			
Loans from related funds	4	76 913	5 514
Trade and other payables	8	104 124	23 452
Retirement benefit obligation	14	26	21
Total liabilities		183 459	31 022
Total Funds and Liabilities		517 456	308 873

DEVELOPMENT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Statement of Surplus or Deficit and Other Comprehensive Income

	Note	2021 N\$ '000	2020 N\$ '000
Revenue	9	150 000	50 996
Benefits	10	(102 063)	(28 590)
Gross surplus		47 937	22 406
Other income		2 018	-
Operating expenses		(12 908)	(12 506)
Surplus before investment income		37 047	9 900
Investment income	12	19 099	21 411
Surplus for the year		56 146	31 311
Other comprehensive income		-	-
Total comprehensive surplus		56 146	31 311

DEVELOPMENT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Statement of Changes in Funds

	Accumulated funds	Total funds
	N\$'000	N\$'000
Balance at 28 February 2019	246 540	246 540
Changes in surplus		
Total comprehensive surplus for the year	31 311	31 311
Total changes	31 311	31 311
Balance at 29 February 2020	277 851	277 851
Changes in surplus		
Total comprehensive surplus for the year	56 146	56 146
Total changes	56 146	56 146
Balance at 28 February 2021	333 997	333 997

DEVELOPMENT FUND
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Statement of Cash Flows

		2021	2020
	Note	N\$ '000	N\$ '000
Cash flows from operating activities			
Cash (used in)/generated from operations	13	118 195	11 660
Investment income		19 099	21 411
Net cash from operating activities		137 294	33 071
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(61)	-
(Payments to)/Proceeds from loans from related funds		69 381	(216)
Acquisition of investments		(38 354)	(33 844)
Net cash from investing activities		30 966	(34 060)
Total cash movement for the year		168 260	(989)
Cash at the beginning of the year		11	1 000
Total cash at end of the year	7	168 271	11

DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Social Security Act 34 of 1994. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out on pages 15 to 40. They are presented in Namibia Dollars.

2. New Standards and Interpretations

New standards and interpretations applicable to the Fund are reflected on page 40-42.

3. Property, plant and equipment

	2021			2020		
	Cost/Val uation	Accumulated depreciation	Carrying Value	Cost/Valua tion	Accumulate d depreciatio n	Carryin g Value
	N\$ '000	N\$ '000	N\$ '000	N\$ '000	N\$ '000	N\$ '000
Furniture and fittings	354	(236)	118	354	(208)	146
Office equipment	150	(97)	53	150	(88)	62
Motor vehicles	944	(597)	347	944	(491)	453
IT equipment	318	(184)	134	257	(155)	102
Total	1 766	(1 114)	652	1 705	(942)	763

DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2021

	Opening balance	Additions	Other adjustments	Depreciation	Total
	N\$ '000	N\$ '000	N\$ '000	N\$ '000	N\$ '000
Furniture and fittings	146	-	-	(28)	118
Motor vehicles	453	-	-	(106)	347
Office equipment	62	-	-	(9)	53
IT equipment	102	61	-	(29)	134
Total	763	61	-	(172)	652

Reconciliation of property, plant and equipment – 2020

	Opening balance	Additions	Other adjustments	Depreciation	Total
	N\$ '000	N\$ '000	N\$ '000	N\$ '000	N\$ '000
Furniture and fittings	174	-	-	(28)	146
Motor vehicles	560	-	-	(107)	453
Office equipment	71	-	-	(9)	62
IT equipment	131	-	-	(29)	102
Total	936	-	-	(173)	763

DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

	2021	2020
	N\$' 000	N\$' 000
4. Loans to / (from) related funds		
Related funds		
Maternity Leave, Sick Leave and Death Benefit Fund	73	73
Social Security Commission	(4 937)	(4 981)
Social Security Commission	2 589	571
Employees' Compensation Fund	(533)	(533)
Maternity Leave, Sick Leave and Death Benefit Fund	(71 443)	-
	(74 251)	(4 870)

The above loans are interest free, unsecured and have no fixed terms of repayment. The associated funds have sufficient resources to settle the loans, hence the loss allowance for these loans was not considered.

Current assets	2 662	644
Current liabilities	(76 913)	(5 514)
	(74 251)	(4 870)

5. Investments and other financial assets

At fair value through profit or loss

Investment in unit trusts	124 328	88 177
Funds held in unit trust are quoted at market prices.		

At amortized cost

Fixed term deposits	261 143	260 957
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Fixed term deposits are held with the financial institutions. The average investment period is 0 to 70 months from the statement of financial position date and interest rates are between 3% and 7.75% per annum. The carrying amounts approximate the fair value.

Loss allowance on investments at amortized cost	(39 683)	(41 700)
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Total investments at amortized cost	221 460	219 257
Total investments and other financial assets	345 788	307 434

DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

	<u>2021</u>	<u>2020</u>
	N\$' 000	N\$' 000
5. Investments and other financial assets (continue)		
Loans and receivables at amortized cost		
Study loans	9 369	8 327
Loans are repayable on completion of studies. The loans earn interest at 50% of the prime lending rate upon the date of issue. Loans are secured by collaterals. Due to the relaxed terms of the loans, and the credit quality of the lenders, the loans are impaired immediately.		
Loss allowance	(9 369)	(8 327)
Total loans and receivables	<u>-</u>	<u>-</u>
Current assets		
At fair value through profit or loss	124 328	88 173
Held at amortized cost	221 460	219 257
	<u>345 788</u>	<u>307 430</u>

Fair value information

The fair value of listed or quoted investments are based on quoted market price.

Fair value is determined annually at statement of financial position date.

Fair value hierarchy of financial assets at fair value through profit or loss

For financial assets recognized at fair value disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements

Level 1

Financial assets held at fair value through profit or loss	124 328	88 173
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Credit risk

Management considered the credit risk of the investments at amortized cost, and which are neither past due nor impaired at reporting date and subsequently and is of opinion that the risk did not increase significantly since the date at which the investment was initially made. Except for the investments which were impaired, none of the other investments are past due.

DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

	2021	2020
	N\$'000	N\$'000
6. Trade and other receivables		
Trade receivables – non financial instruments	83	21
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	168 271	11
The average interest rate is 1.25%.		
The carrying amount approximates the fair value.		
8. Trade and other payables		
Financial instruments		
Trade payables	101 869	22 523
Accrued leave pay	856	768
Accrued bonus	191	130
	<u>102 916</u>	<u>23 421</u>
Non-financial instruments		
Other payables	1 207	30
Unclaimed money	1	1
	<u>1 208</u>	<u>31</u>
Total	<u>104 124</u>	<u>23 452</u>
Categorization of trade and other payables		
At amortized cost	102 916	23 421
Non-financial instruments	1 208	31
	<u>104 124</u>	<u>23 452</u>

DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

	2021	2020
	N\$'000	N\$'000
9. Revenue		
Contributions from Maternity Leave, Sick Leave and Death Benefit Fund	150 000	50 996
10. Benefits - Development fund schemes		
Study bursary	10 411	10 478
Training scheme	(304)	2 103
Special projects	6 894	11 162
Employment scheme	6 724	4 847
Stimulus expenses	78 338	-
	102 063	28 590
11. Surplus before investment income		
Surplus before investment income for the year is stated after accounting for the following:		
Depreciation on property, plant and equipment	172	173
Employee costs	9 418	8 842
12. Investment income		
Interest income		
Fixed term deposits and bank balances	19 099	21 411

DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

	2021	2020
	N\$'000	N\$'000
13. Cash used in operations		
Surplus/(Deficit) for the year	56 169	31 311
Adjustments for:		
Depreciation and amortization	172	173
Investment income	(19 099)	(21 411)
Movement in retirement benefit asset and liabilities	343	146
Non-cash items	-	
Changes in working capital:		
Trade and other receivables	(62)	(8)
Trade and other payables	80 672	1 449
	118 195	11 660

14. Retirement benefits

Defined benefit plan

The staff members are members of Government Institutions Pension Fund (GIPF), a defined benefit fund. The sponsors of the fund are various government related institutions that include the fund and these sponsors have an obligation to meet the shortfall if the fund's liabilities were to exceed the fund's assets.

There is not sufficient information available to enable the fund to account for the plan as a defined benefit plan due to the fact that the proportionate share applicable to the fund is not clearly identified. The plan is therefore accounted as if it is a defined contribution plan.

The value of the assets of GIPF is valued by actuaries every third year. The latest valuation was done at 31 March 2018, and the valuator reported that the fund was in good financial position, and that the present rates of contributions were adequate to enable the fund to provide benefits to which members are entitled. With reported actuarial value of liabilities and reserves of N\$ 109.94 billion and assets of N\$ 110.20 billion, the funding level at valuation date was 100.70%.

The internal guideline of the GIPF is to target a funding level (after contingency reserves) of between 105% and 115% over time. The actuaries noted that as at current valuation date, the funding levels falls below this ideal range. This is attributed to the investments performance over the last 3 years which was low relative to the funding valuation interest rate of 12% p.a. The method used to place value on the past services liabilities and the required future contribution rate is known as the project unit credit method based on actuarial valuations.

DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

14. Retirement benefits (continued)

Defined benefit plan (continued)

Post-retirement medical benefit

The benefit is a final post-employment medical benefit plan. The employer pays 75% or 100% of the medical premium towards the medical scheme when qualifying employees retire.

	2021 N\$'000	2020 N\$'000
Carrying value		
Present value of the defined benefit obligation - wholly unfunded	(2 422)	(2 056)
Non-current liabilities	(2 396)	(2 035)
Current liabilities	(26)	(21)
	(2 422)	(2 056)
Movements for the year		
Opening balance	(2 056)	(1 910)
Net expense recognized in profit and loss	(366)	(146)
	(2 422)	(2 056)
Net expense recognized in profit and loss		
Past service cost	(158)	(143)
Interest cost	(222)	(205)
Actuarial gain/(loss)	(6)	183
Contribution by employer	20	19
	(366)	(146)
Key assumptions used		
Normal retirement age	60	60
Discount rate used	9.97%	9.97%
Medical aid contribution increase rate	8.90%	8.90%

DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

14. Retirement benefits (continued)

Defined benefit plan (continued)

Post-retirement medical benefit

Key assumptions used (continued)

Assumptions for demographics

The most important demographic assumptions are the mortality rate that applies after retirement and the withdrawal rate that applies before retirement. For mortality of the members the following mortality tables were used:

- Members before the age of retirement 100% SALT84-86 (2020: 100% SALT84-86).
- Continuation members (pensioners) PA(90) ultimate plus 0.5% improvement per annum (2020: PA(90) ultimate plus 0.5% improvement per annum).

For withdrawal rates before retirement, experiences in the general population and other large schemes were used.

Sensitivity analysis

The valuation above is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the Fund will be dependent on actual future levels of assumed variables. In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liability using the following assumptions:

- Real interest rate changes by 1% (real interest is the difference between the interest rate and the rate of increase in medical contribution)
- Assuming a change of 10% in the expected mortality.

We also tested the result if pre-retirement withdrawals are ignored.

Real interest rate

The real interest rate is the difference between the discount rate and the assumed increase in medical contribution rates. Changes in the real interest rate will result in the Fund paying more or less for the medical contribution, which will have an impact on the liability. We tested the effect of a 1% change in the real interest rate and the effect is as follows:

	2021	2020
	N\$'000	N\$'000
1% increase in the real interest rate	(1 978)	(1 631)
Valuation assumption	(2 422)	(2 056)
1% decrease in the real interest rate	(2 552)	(2 619)

DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

14. Retirement benefits (continued)

Defined benefit plan (continued)

Post-retirement medical benefit

Demographics

Changes in the demographics of the members will have an impact on the actual cost to the Fund. If a heavier mortality rate is experience it will reduce cost and less pre-retirement withdrawals will increase the cost of the scheme. We tested the effect of a 10% change in mortality rates and the effect is as follows:

10% Higher mortality rate	(1 682)	(1 951)
Valuation assumption	(2 422)	(2 056)
10% Lower mortality rate	(2 552)	(2 173)

15. Related parties

Relationships

Administrator

Social Security Commission
Employees' Compensation Fund
Maternity Leave, Sick Leave and Death Benefit Fund

Related funds

National Pension Fund
National Medical Benefit Fund
Accident Pension Fund
National Pension Fund
Dr. D.I. Uirab (Chairperson)

Commissioners

Ms. A. Titus
Mr. H. Bruwer
Ms. P.H. Masabane
Ms. B. C. Van der Westhuizen
Ms. E. Burger
Ms. N. Shilongo
Ms. K. T. N. N. Sihlahla

DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

15. Related parties (continued)

	2021	2020
	N\$'000	N\$'000
Related party balances		
Loan accounts - Owing (to) by related funds		
Social Security Commission	(4 937)	(4 981)
Maternity Leave, Sick Leave and Death Benefit Fund	72	73
Employees' Compensation Fund	(533)	(533)
Social Security Commission	2 589	571
Maternity Leave, Sick Leave and Death Benefit Fund	(71 443)	-
Related party transactions		
Contributions received from related funds		
Maternity Leave, Sick Leave and Death Benefit Fund	150 000	50 996

16. Risk management

Financial risk management

The primary objective in the investment of the commission is to balance the safety needs, liquidity and return objectives of each fund against the liability structure and the general objectives of each fund.

The investment portfolio shall be diversified to minimize the risk of loss resulting from concentration of assets in a specific maturity, specific issuer or a specific class of securities. Further diversification will be provided by employing more than one asset manager with relatively low correlation in their investment performance based on investment style.

The commissioners recognize that investment management is a long-term process and there will be fluctuations in the short-term. However, long-term objective will only be met if they are consistently achieved over a shorter period.

Real return (i.e. returns in excess of inflation) is required across the range of portfolios, which compensate adequately for the levels of risks inherent in the portfolio. The requirement for real returns shall not apply to the working capital portfolio.

Preservation of capital in real terms and absolute terms is an important consideration for the commission in the long-term.

DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

16. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk arises when there is mismatching between the maturity of liabilities and assets.

The fund is exposed to daily calls on its available cash resources from claims. Liquidity is the risk that cash may not be available to pay obligations when due at a reasonable cost. The board sets limits on the minimum proportion of maturity funds available to meet such calls.

The fund actively manages its cash resources, split between short-term and long-term to ensure sufficient cash is at hand to settle claims liabilities, based on monthly float projections. The fund has significant liquid resources to cover its obligations.

At 28 February 2021	Financial assets at fair value through profit and loss	Financial liabilities at amortized cost	Financial assets held at amortized cost
	N\$'000	N\$'000	N\$'000
Investments and other financial assets	124 328	-	221 460
Trade and other payables	-	(102 916)	-
Loans from related funds	-	(74 251)	-
Retirement benefit obligation	-	(2 422)	-
Cash and cash equivalents	168 271	-	-
Loans and other receivables	-	-	-

DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

16. Risk management (continued)

Liquidity risk (continued)

At 29 February 2020	Financial assets at fair value through profit and loss	Financial liabilities at amortized cost	Financial assets held at amortized cost
	N\$'000	N\$'000	N\$'000
Investments and other financial assets	88,173	-	260,957
Trade and other payables	-	(23,412)	-
Loans from related funds	-	(4,870)	-
Retirement benefit obligation	-	(2,056)	-
Cash and cash equivalents	11	-	-
Loans and other receivables	-	-	-

Interest rate risk

Interest rate risk arises primarily from the fund investments in fixed income securities, which are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored through several measures that include monitoring of returns and switching investments to take advantage of high returns in certain instruments. An increase or decrease of 1% in the respective interest rates would result in the following changes in the fair value or amortized costs of these financial instruments.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate on cash and cash equivalents affected. The impact is as follows:

	2021	2020
	N\$'000	N\$'000
Effect on surplus for the year		
Increase / (decrease) of 1 % in interest rates	2 611	2 610

DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

16. Risk management (continued)

Cash flow interest rate risk

	Current interest rate	Due in less than a year	Due in more than a year
2021	%	N\$'000	N\$'000
Investments at amortized cost	3.94%	221 460	-
Investments at fair value through profit and loss	5.57%	124 328	-
Loans to related funds	-%	(74 251)	-
Trade and other payables	-%	(102 916)	-
Retirement benefit obligation	-%	(26)	(2 396)
Cash and cash equivalents	1.25%	168 271	-
Loans and other receivables	-%	-	-
2020	Current interest rate	Due in less than a year	Due in more than a year
Investments at amortized cost	5.47%	219 257	-
Investments at fair value through profit and loss	7.31%	88 173	-
Loans to related funds	-%	-4870	-
Trade and other payables	-%	(23 421)	-
Retirement benefit obligation	-%	(21)	(2 035)
Cash and cash equivalents	1.25%	11	-
Loans and other receivables	-%	-	-

DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

16. Risk management (continued)

Credit Risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

Key areas where the fund is exposed to credit risk are: accounts receivables, investments and cash equivalents:

Credit risk management

Trade and other receivables

The Commission's maximum exposure to credit risk at the reporting date is the carrying value of financial assets disclosed in note 6. The fund does not hold any collateral as security. Receivables are presented net of the provision for loss allowances.

Investments and cash and cash equivalents

The Commission's cash and cash equivalents and investments are placed with high credit quality financial institutions. The Commission has a policy of limiting the amount of credit exposure to any one financial institution. The maximum exposure at the reporting date is the carrying value of cash and cash equivalents disclosed in note 7 and the carrying value of investments in note 5. The Commission deposits only with reputable financial institutions and the credit quality of financial assets are therefore good.

DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

16. Risk management (continued)

Investments and cash and cash equivalents (continued)

Financial assets and liabilities exposed to credit risk at year end were as follows:

	2021	2020
	N\$'000	N\$'000
Financial assets		
Investments at value through profit or loss	124 328	88 173
Investments held at amortized cost	221 460	219 257
Trade and other receivables	83	21
Cash and cash equivalents	168 271	11
	514 142	307 462
Financial liabilities		
Trade and other payables	104 124	23 421
Loans to related funds	74 251	4 870
Retirement benefit obligation	2 422	2 056
	180 797	30 347

DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

16. Risk management (continued)

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in the interest rate and equity prices. Financial assets are disclosed in the following classes based on their similar characteristics.

-Held for trading at fair value through profit and loss

-Held at amortized cost

Market risk arises in the fund due to fluctuations in both the value of liabilities and value of investments held.

Management has established a policy on market risk which sets out principles that the fund is expected to adopt in respect of management of the key market risks to which the fund is exposed. The board monitors adherence to this market risk policy and regularly reviews how management is managing these risks through the investment committee and audit and risk committee.

For each of the major components of market risk, described in risk management note, the management has put in place additional policies and procedures to set out how risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

Price risk

The fund is subject to price risk due to the daily changes in the market values of its investments held by asset managers.

The fund's objective is to earn competitive relative returns by investing in a diverse portfolio of high quality, liquid securities. Portfolio characteristics are analyzed regularly and equity price risk is actively managed through a variety of modeling methods by asset managers. The fund's holdings are diversified across industries, and concentration in any one company or industry is limited by parameters established by asset managers and statutory requirements. The fund's exposure to movement in equities is 32% (2020: 25%) for domestic equities on the funds held by asset managers.

Equity price sensitivity analyses

As at 28 February 2021, the fund's listed equities were recorded at their fair value of N\$ 124.3 million (2020: N\$ 88.1 million). A hypothetical 10% decline or increase in each individual share price would decrease/increase the surplus for the year by N\$ 8.8 million (2020: N\$ 8.8 million).

DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

Detailed Statement of Surplus or Deficit and Other Comprehensive Income

		2021	2020
	Note	N\$ '000	N\$ '000
Revenue			
MSD Contributions	9	150 000	50 996
Direct expenses			
Development fund schemes	10	(102 063)	(28 590)
Gross surplus		47 937	22 406
Other income and expenses			
Interest income – Current account (Bank)		-	-
Investment income	12	19 099	21 407
Other income		2 018	-
Operating expenses			
Advertising		(805)	(453)
Bad debts		(1 042)	(1 380)
Bank charges		(11)	(78)
Depreciation		(172)	(173)
Corporate social investment		(2)	(252)
Employee costs		(9 418)	(8 842)
Entertainment		(9)	(5)
Minor assets		(11)	(12)
Seminars		(70)	(320)
Legal expenses		(140)	(218)
Levies		(89)	(89)
Printing and stationery		(84)	(76)
Repairs and maintenance		(900)	(113)
Telephone and fax		-	(6)
Training		-	(160)
Travel - local		(155)	(329)
Total expenses		(12 908)	(12 506)
Surplus for the year		56 146	31 311

SOCIAL SECURITY COMMISSION
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2021

General Information

Country of incorporation and domicile Namibia

Nature of business and principal activities

Under the Social Security Act 34 of 1994, currently read with the Employees' Compensation Act 5 of 1995, the SSC's principal purpose is to administer the Funds established by the aforementioned statutes, a Maternity Leave, Sick Leave and Death Benefit Fund (MSD); an Employees' Compensation Fund (ECF); a Development Fund (DF); a National Medical Benefit Fund (NMBF) and a National Pension Fund (NPF). The NMBF and NPF have been established but are not operational. In administering the Funds, the SSC's principal operations include:

- (a) registering employers and employees;
- (b) collecting and investing contributions;
- (c) assessing and paying claims;
- (d) providing benefits and
- (e) providing training and employment schemes and providing financial aid to students.

Dr. D. I. Uirab (Chairperson)

Ms. A. Titus

Mr. H. Bruwer

Commissioners

Ms. P.H. Masabane

Ms. B. C. Van der Westhuizen

Ms. E. Burger

Ms. N Shilongo

Ms. K. T. N. N. Sihlahla

Registered office

Cnr. A. Kloppers & Haupt Streets

Khomasdal

Windhoek

Namibia

SOCIAL SECURITY COMMISSION
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 February 2021

General Information (continued)

Business address	Cnr. A. Kloppers & Haupt Streets Khomasdal Windhoek Namibia
Postal address	Private Bag 13223 Windhoek Namibia
Bankers	Bank Windhoek
Auditors	Office of the Auditor General
Secretary	Linda Dumba-Chicalu

SOCIAL SECURITY COMMISSION
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioners' Responsibilities and Approval

The commissioners are required in terms of the Social Security Act of 1994 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the commission as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The commissioners acknowledge that they are ultimately responsible for the system of internal financial control established by the commission and place considerable importance on maintaining a strong control environment. To enable the commissioners to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the commission and all employees are required to maintain the highest ethical standards in ensuring the commission's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the commission is on identifying, assessing, managing and monitoring all known forms of risk across the commission. While operating risk cannot be fully eliminated, the commission endeavours to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The commissioners are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The commissioners have reviewed the commission's cash flow forecast for the year to 28 February 2022 and, in the light of this review and the current financial position, they are satisfied that the commission has or has access to adequate resources to continue in operational existence for the foreseeable future.

SOCIAL SECURITY COMMISSION
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioners' Responsibilities and Approval (continued)

The external auditors are responsible for independently reviewing and reporting on the commission's annual financial statements. The annual financial statements have been examined by the commission's external auditors and their report is presented on 1 to 3.

The annual financial statements set out on pages 192 to 211, which have been prepared on the going concern basis, were approved by the board on 24 February 2022 and were signed on its behalf by:

.....
Commissioner
Windhoek, 24 February 2022

.....
Commissioner

SOCIAL SECURITY COMMISSION
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioners' Report

The commissioners submit their report for the year ended 28 February 2021. The amounts reflected in this report are rounded to thousand Namibia Dollar (N\$ '000).

1. Incorporation

The commission was incorporated through an Act of Parliament, the Social Security Act 34 of 1994.

2. Review of activities

Main business and operations

Under the Social Security Act 34 of 1994, currently read with the Employees' Compensation Act 5 of 1995, the SSC's principal purpose is to administer the Funds established by the aforementioned statutes,

- (a) a Maternity Leave, Sick Leave and Death Benefit Fund (MSD);
- (b) an Employees' Compensation Fund (ECF)
- (c) a Development Fund (DF);
- (d) a National Medical Benefit Fund (NMBF) and
- (e) a National Pension Fund (NPF).

The NMBF and NPF have been established but are not operational.

In administering the Funds, the SSC's principal operations include: (a) registering employers and employees; (b) collecting and investing contributions; (c) assessing and paying claims; (d) providing benefits and (e) providing training and employment schemes and providing financial aid to students.

The operating results and state of affairs of the commission are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net surplus of the fund was N\$ 1 006 (2020: N\$ 2 479).

SOCIAL SECURITY COMMISSION
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioners' Report (continued)

3. Events after the reporting period

The commissioners are not aware of any circumstances, other than the one reported below, arising since the end of the financial year.

In terms of the pending litigation matter between the Commission and Freedom Square, the parties reached a settlement agreement on 13 October 2021, in terms whereof the SSC agreed to the withdrawal of action on condition that Freedom Square pays the Commission's wasted costs. This matter was settled and removed from the roll.

4. Going concern

The commissioners performed an assessment of whether the SSC and its associate Funds, is a going concern in the light of the prevailing COVID pandemic, the economic condition of the country and other information about future risks and uncertainties. The projections have been prepared considering, future benefit enhancements, revenue collections, and financial sustainability which includes inter alia liquidity and solvability for a period of 12 months.

The areas of financial performance of the fund mostly affected are primary revenue, investment income and the credit quality of financial assets. Although it's difficult to predict the duration and extent of the pandemic and its impact on the economy, the projections show that the fund administered by the SSC have sufficient liquidity and solvency to continue operate in the foreseeable future. The commissioners are therefor satisfied that the presentation of the annual financial statements on a going concern basis is appropriate.

5. Commissioners' interest in contracts

The commissioners did not have any interest in contracts entered into by the commission during the year.

SOCIAL SECURITY COMMISSION
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Commissioners' Report (continued)

6. Commissioners

The commissioners of the commission during the year and to the date of this report are as follows:

Name	Change
Ms. A. Titus	Re-appointed 1 April 2021
Mr. E.S. Maswahu	Term of office expired 31 March 2021
Ms. J. Jonas	Term of office expired 31 March 2021
Ms. T.V.P. Nauyoma	Term of office expired 31 March 2021
Ms K. T. N. N. Sihlahla	Re-appointed 1 April 2021
Mr. K. B. Black	Term of office expired 31 March 2021
Dr. D.I. Uirab (Chairperson)	Re-appointed 1 April 2021
Ms. P. H. Masabane	Re-appointed 1 April 2021
Mr. N. Ntelamo	Term of office expired 31 March 2021
Ms. P. J. Olivier	Term of office expired 31 March 2021
Ms. C. B. Van der Westhuizen	Appointed 1 April 2021
Ms. E. Burger	Appointed 1 April 2021
Ms. N. Shilongo	Appointed 1 April 2021
Mr. H. Bruwer	Appointed 1 April 2021

7. Secretary

The secretary of the commission is Linda Dumba-Chicalu of (Appointed 12 April 2021):

Business address	Cnr. A. Kloppers & Haupt Streets Khomasdal Windhoek Namibia
Postal address	Private Bag 13323 Windhoek

8. Auditors

The Auditor General will continue in office in accordance with the Social Security Act of 1994.

SOCIAL SECURITY COMMISSION
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Statement of Financial Position

Assets		2021	2020
	Note	N\$'000	N\$'000
Non-Current Assets			
Loans to related funds	3	-	-
Current Assets			
Loans to related funds	3	27 887	19 523
Investments and other financial assets	4	16 334	13 971
Trade and other receivables	5	2 771	4 203
Cash and cash equivalents	6	38 953	10 937
Total Assets		85 945	48 634
Funds and Liabilities			
Funds			
Accumulated funds		13 887	12 881
Liabilities			
Current Liabilities			
Loans from related funds	3	50 409	33 744
Trade and other payables	7	21 649	2 009
		72 058	35 753
Total Funds and Liabilities		85 945	48 634

SOCIAL SECURITY COMMISSION
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Statement of Comprehensive Income

		2021	2020
	Note	N\$ '000	N\$ '000
Other income		1 203	879
Operating expenses		(1 478)	(148)
Surplus before investment income		(275)	731
Investment income	8	1 281	1 748
Surplus for the year		1 006	2 479
Other comprehensive income		-	-
Total comprehensive income		1 006	2 479

SOCIAL SECURITY COMMISSION
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Statement of Changes in Funds

	Accumulated funds	Total funds
	N\$ '000	N\$ '000
Balance at 28 February 2019	10 402	10 402
Changes in funds		
Total comprehensive income for the year	2 479	2 479
Total changes	2 479	2 479
Balance at 29 February 2020	12 881	12 881
Changes in funds		
Total comprehensive income for the year	1 006	2 479
Total changes	1 006	2 479
Balance at 28 February 2021	13 887	13 887

SOCIAL SECURITY COMMISSION
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2021

Statement of Cash Flows

		2021	2020
	Note	N\$ '000	N\$ '000
Cash flows from operating activities			
Cash (utilized)/ generated from operations	9	20 878	(9 188)
Interest income		1 281	1 748
Net cash from/utilized by operating activities		22 159	(7 440)
Cash flows from investing activities			
Loans from related funds		8 219	26
Sale / (Purchase) of financial assets		(2 362)	911
Net cash from investing activities		5 857	937
Total cash movement for the year		28 016	(6 503)
Cash at the beginning of the year		10 937	17 440
Total cash at end of the year	6	38 953	10 937

SOCIAL SECURITY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Social Security Act 34 of 1994. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out on pages 15 to 40. They are presented in Namibia Dollars.

These accounting policies were consistently applied in previous financial period.

2. New Standards and Interpretations

New standards and interpretations applicable to the Fund are reflected on page 40-42.

	2021	2020
	N\$'000	N\$'000
3. Loans to / (from) related funds		
Related funds		
Maternity Leave, Sick Leave and Death Benefit Fund	15 804	8 995
Employees' Compensation Fund	7 146	5 547
Development Fund	4 937	4 981
Maternity Leave, Sick Leave and Death Benefit Fund	(31 262)	(24 362)
Employees' Compensation Fund	(16 558)	(8 810)
Development Fund	(2 589)	(572)
National Medical Benefit Fund	3 943	3 943
National Pension Fund	14 932	13 608
	<hr/>	<hr/>
	(3 647)	3 330
Impairment of loans to related funds	(18 875)	(17 551)
	<hr/>	<hr/>
	(22 522)	(14 221)

SOCIAL SECURITY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

3. Loans to / (from) related funds (continued)

The loans due from National Pension Fund and National Medical Benefit Fund are repayable upon formation of these Funds. There are no repayment terms but repayment is not expected within the next twelve months. The loans are unsecured and bear no interest. The other related fund balances are unsecured interest free and have no fixed terms of repayment. Due to the aforementioned, the loss allowance for these loans are expected to be equal to the gross loan amount. For all other loans there is no expectation of default as the funds have sufficient resources to settle the loans.

	2021	2020
	N\$'000	N\$'000
Non-current asset	-	-
Current assets	27 887	19 523
Current liabilities	(50 409)	(33 744)
	(22 522)	(14 221)

As of 28 February 2021, loans to related funds of N\$ 18 875 (2020: N\$ 17 551) were impaired and provided for.

4. Investments and other financial assets

At fair value through profit or loss

Investment in unit trusts

9 167 8 555

Funds held in unit trust are quoted at market prices.

At amortized cost

Fixed term deposits

16 951 16 209

Fixed term deposits are held with the financial institutions. The average investment period is 0 to 70 months from the statement of financial position date and interest rates are between 3% and 5.15% per annum. The carrying amounts approximate the fair value.

Loss allowance on investments at amortized cost

(9 784) (10 793)

Total financial assets at amortized cost

7 167 5 416

Total investments and other financial assets

16 334

13 971

SOCIAL SECURITY COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021**

4. Investments and other financial assets (continued)

Fair value information

Financial assets at fair value through profit or loss are recognized at fair value, which is therefore equal to their carrying amounts.

Fair value hierarchy of financial assets at fair value through profit or loss

For financial assets recognized at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 represents those assets which are measured using unadjusted quoted prices for identical assets.

Level 1

	2021	2020
	N\$'000	N\$'000
Financial Assets held at fair value through profit or loss	9 167	8 555

5. Trade and other receivables

Non-financial instruments

Other receivable	2 957	4 348
Impairment of other receivables	(245)	(245)
Value Added Tax	-	41
Prepayments	59	59
	2 771	4 203

As of 28 February 2021, other receivables of N\$ 245 (2020: N\$ 245) were impaired and provide for.

SOCIAL SECURITY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

	<u>2021</u>	<u>2020</u>
	N\$'000	N\$'000
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	11	11
Bank balances	38 942	10 926
	<u>38 953</u>	<u>10 937</u>
7. Trade and other payables		
Financial instruments		
Accruals	6 796	1 947
Deposits received	62	62
Trust account balances	14 686	-
Total	<u>21 544</u>	<u>2 009</u>
Non-Financial instruments		
Vat payable	103	-
Total	<u>21 647</u>	<u>2 009</u>
Categorization of trade payables		
Non-financial instruments	103	-
At amortized cost	21 544	2 009
Total	<u>21 647</u>	<u>2 009</u>
8. Investment income		
Interest income		
Interest from other investments	612	1 093
Fixed term investments and bank deposits	669	655
Total investment income	<u>1 281</u>	<u>1 748</u>

SOCIAL SECURITY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY
2021

	2021	2020
	N\$'000	N\$'000
9. Cash (utilized)/ generated by operations		
Surplus for the year	1 006	2 479
Adjustments for:		
Investment Income	(1 281)	(1 748)
Non-cash item	(6)	(5)
Changes in working capital:		
Trade and other receivables	1 121	(3 630)
Trade and other payables	20 038	(6 284)
	20 878	(9 188)

10. Related parties

Relationships

	Maternity Leave, Sick Leave and Death Benefit Fund
	Development Fund
Administered Funds	Employees' Compensation Fund
	National Pension Fund
	National Medical Benefit Fund
	Accident Pension Fund
	Dr. D. I. Uirab (Chairperson)
	Ms. A. Titus
	Mr. H. Bruwer
Commissioners	Ms. P.H. Masabane
	Ms. B. C. Van der Westhuizen
	Ms. E. Burger
	Ms. N. Shilongo
	Ms. K. T. N. N. Sihlahla

SOCIAL SECURITY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

10. Related parties (continued)

Related party balances

	2021	2020
	N\$'000	N\$'000
Loan accounts – Owed/ (to) by related funds		
Maternity Leave, Sick Leave and Death Benefit Fund	(31 262)	(24 362)
Maternity Leave, Sick Leave and Death Benefit Fund	15 804	8 995
Employees' Compensation Fund	7 146	5 547
Employees' Compensation Fund	(16 558)	(8 810)
Development Fund	4 937	4 981
Development Fund	(2 589)	(572)
National Pension Fund	14 932	13 608
National Medical Benefit Fund	3 943	3 943

11. Risk management

Financial risk management

The primary objective in the investment of the Commission is to balance the safety needs, liquidity and return objectives of the Fund against the liability structure and the general objectives of each fund.

The investment portfolio shall be diversified to minimize the risk of loss resulting from concentration of assets in a specific maturity, specific issuer or a specific class of securities. Further diversification will be provided by employing more than one asset manager with relatively low correlation in their investment performance based on investment styles.

The investment portfolio shall be diversified to minimize the risk of loss resulting from concentration of assets in a specific maturity, specific issuer or a specific class of securities. Further diversification will be provided by employing more than one asset manager with relatively low correlation in their investment performance based on investment styles.

The Commissioners recognize that investment management is a long-term process and there will be fluctuations in the short-term. However, the long-term objective will only be met if they are consistently achieved over a shorter period.

SOCIAL SECURITY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

11. Risk management (continued)

Financial risk management (continued)

Real returns (i.e. returns in excess of inflation) are required across the range of portfolios, which compensate adequately for the levels of risk inherent in the portfolio. The requirement for real returns shall not apply to the working capital portfolio.

Preservation of capital in real terms and absolute terms is an important consideration for the Commission in the longer term.

Financial Instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements. Refer to note 1 for additional details.

	Financial assets at fair value through profit and loss	Financial assets held at amortized cost	Financial liabilities at amortized cost
At 28 February 2021	N\$'000	N\$'000	N\$'000
Trade and other receivables	-	2 771	-
Loans to related funds	-	-	(22 522)
Cash and cash equivalents	38 953	-	-
Investments held at fair value through profit and loss	9 167	-	-
Investments at amortized cost	-	7 167	-
Trade and other payables	-	-	(21 544)

SOCIAL SECURITY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

11. Risk management (continued)

Financial Instruments (continued)

	Financial assets at fair value through profit and loss	Financial assets held at amortized cost	Financial liabilities at amortized cost
At 28 February 2020	N\$'000	N\$'000	N\$'000
Trade and other receivables	-	4 203	-
Loans to related funds	-	-	(14 221)
Cash and cash equivalents	10 937	-	-
Investments held at fair value through profit and loss	8 555	-	-
Investments at amortized cost	-	5 416	-
Trade and other payables	-	-	(2 009)

Liquidity risk

	Financial assets at fair value through profit and loss	Financial assets held at amortized cost	Financial liabilities at amortized cost
At 28 February 2021	N\$'000	N\$'000	N\$'000
Trade and other receivables	-	2 771	-
Loans to related funds	-	-	(22 522)
Cash and cash equivalents	38 953	-	-
Investments held at fair value through profit and loss	9 167	-	-
Investments at amortized cost	-	7 167	-
Trade and other payables	-	-	(21 649)

SOCIAL SECURITY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

11. Risk management (continued)

Liquidity risk (continued)

	Financial assets at fair value through profit and loss	Financial assets held at amortized cost	Financial liabilities at amortized cost
At 28 February 2020	N\$'000	N\$'000	N\$'000
Trade and other receivables	-	4 203	-
Loans to related funds	-	-	(14 221)
Cash and cash equivalents	10 937	-	-
Investments held at fair value through profit and loss	8 555	-	-
Investments at amortized cost	-	5 416	-
Trade and other payables	-	-	(2 009)

Liquidity Risk Management

Liquidity risk is the risk that the Commission will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk arises when there is mismatching between the maturity of liabilities and assets.

The Commission is exposed to daily calls on its available cash resources from claims. Liquidity is the risk that cash may not be available to pay obligations when due at a reasonable cost. The board sets limits on the minimum proportion of maturity funds available to meet such calls.

The Commission actively manages its cash resources, split between short-term and long-term to ensure sufficient cash is at hand to settle claims liabilities, based on monthly float projections. The Commission has significant liquid resources to cover its obligations

SOCIAL SECURITY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

11. Risk management (continued)

Cash flow interest rate risk

2021	Current interest rate	Due in less than a year
	%	N\$'000
Trade and other receivables	-%	2 771
Investments at fair value through profit and loss	5.57%	9 167
Investments at amortized cost	2.63%	7 167
Loans from related funds	-%	(22 522)
Cash and cash equivalents	2.75%	38 953
Trade and other payables	-%	(21 649)
2020	Current interest rate	Due in less than a year
	%	N\$'000
Trade and other receivables	-%	4 203
Investments at fair value through profit and loss	5.47%	8 555
Investments at amortized cost	7.31%	5 416
Loans from related funds	-%	(14 221)
Cash and cash equivalents	5.75%	10 937
Trade and other payables	-%	(2 009)

SOCIAL SECURITY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

11. Risk management (continued)

Interest Rate Risk Management

Interest rate risk arises primarily from the Commission investments in fixed income securities, which are exposed to fluctuations in interest rates. Exposure to interest rate risk is monitored through several measures that include monitoring of returns and switching investments to take advantage of high returns in certain instruments.

An increase or decrease of 1% in the respective interest rates would result in the following changes in the fair value or amortized costs of these financial instruments.

Interest Rate Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rate on cash and cash equivalents affected. The impact is as follows:

	2021	2020
	N\$'000	N\$'000
Effect on surplus for the year		
Increase / (decrease) of 1 % in interest rates	170	162

Credit Risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

Key areas where the fund is exposed to credit risk are: accounts receivables, investments and cash equivalents:

Credit risk management

Trade and other receivables

The Commission's maximum exposure to credit risk at the reporting date is the carrying value of financial assets disclosed in note 5. The fund does not hold any collateral as security. Receivables are presented net of the provision for impairment losses.

SOCIAL SECURITY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

11. Risk management (continued)

Investments and cash and cash equivalents

The Commission's cash and cash equivalents and investments are placed with high credit quality financial institutions. The Commission has a policy of limiting the amount of credit exposure to any one financial institution. The maximum exposure at the reporting date is the carrying value of cash and cash equivalents disclosed in note 6 and the carrying value of investments in note 4. The Commission deposits only with reputable financial institutions and the credit quality of financial assets are therefore good.

Financial assets and liabilities exposed to credit risk at year end were as follows:

	2021	2020
	NS\$'000	NS\$'000
Financial assets		
Investments at fair value through profit and loss	9 167	8 555
Investments at amortized cost	7 167	5 416
Trade and other receivables	2 771	4 203
Cash and cash equivalents	38 953	10 937
	58 058	29 111
Financial liabilities		
Trade and other payables	21 649	2 009
Loans from related funds	22 522	14 221
	44 171	16 230

SOCIAL SECURITY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

11. Risk management (continued)

Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in the interest rate and equity prices. Financial assets are disclosed in the following classes based on their similar characteristics:

Held for trading at fair value through profit and loss

Held at amortized cost

Market risk arises in the Commission due to fluctuations in both the value of liabilities and value of investments held.

Management has established a policy on market risk which sets out principles that the Commission is expected to adopt in respect of management of the key market risks to which the Commission is exposed. The board monitors adherence to this market risk policy and regularly reviews how management is managing these risks through the investment committee and audit and risk committee. For each of the major components of market risk, described in risk management note, the management has put in place additional policies and procedures to set out how risk should be managed and monitored, and the approach to setting an appropriate risk appetite.

Price risk

The Commission is subject to price risk due to the daily changes in the market values of its investments held by asset managers.

The Commission's objective is to earn competitive relative returns by investing in a diverse portfolio of high quality, liquid securities. Portfolio characteristics are analyzed regularly and equity price risk is actively managed through a variety of modeling methods by asset managers. The commission's holdings are diversified across industries, and concentration in any one company or industry is limited by parameters established by asset managers and statutory requirements. The commission's exposure to movement in equities is 35% (2020: 35%) for domestic equities on the funds held by asset managers.

Equity price sensitivity analyses

At 28 February 2021, the Commission's listed equities were recorded at their fair value of N\$ 9.17 million (2020: N\$ 8.55 million). A hypothetical 10% decline or increase in each individual share price would decrease/increase the surplus for the year by N\$916.6 thousand (2020: N\$ 855.4).

SOCIAL SECURITY COMMISSION
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
28 FEBRUARY 2021

Detail Statement of Comprehensive Income

		2021	2020
	Note	N\$'000	N\$'000
Other income			
Other income		1 203	881
Interest received	8	1 281	1 748
		2 484	2 629
Operating expenses			
Bank charges		(152)	(139)
SSC cards		-	(11)
Bad debt provision		(1 326)	-
Total operating expenses		(1 478)	(150)
Surplus for the year		1 006	2 479

